# Brascan
LIMITED

Brascan
LIMITED
Brascan
LIMITED
Brascan
LIMITED
Brascan
LIMITED
Brascan
LIMITED
Brascan
LIMITED

63rd ANNUAL REPORT 1975

Brascan

LIMITED

BOX 48, COMMERCE COURT WEST, TORONTO, ONTARIO M5L 1B7

Brascan Limited is a Canadian investment management company carrying on programs in the following investment areas:

- Electric power utilities in Brazil and Canada.
- Consumer and industrial goods and services, particularly foods and beverages, in Brazil and Canada.
- Natural resource development in Brazil and Canada.
- Development of tourism and real estate in Brazil.
- Financial services in Brazil and Canada.

Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire, Brascan Limited

## Contents



## Financial Highlights

| | **1975 $ millions*** | 1974 $ millions* |
|---|---|---|
| Income before extraordinary items | **95.1** | 119.2 |
| Net income for year | **83.5** | 109.2 |
| Long-term debt and bank indebtedness | **398.2** | 271.6 |
| Shareholders' equity | **1,033.8** | 1,002.1 |
| Total cash dividends paid | **27.6** | 26.9 |
| Ordinary shares outstanding (average) | **27,648,448** | 28,214,955 |
| Per ordinary share: | | |
| Income before extraordinary items | **$ 3.44** | $ 4.23 |
| Net income for year | **$ 3.02** | $ 3.87 |
| Shareholders' equity | **$39.76** | $35.47 |
| Cash dividends | **$ 1.00** | $ 1.00 |
| Stock dividend | | 10% |

*Dollar amounts expressed in U.S. currency

## Directors' Report

Consolidated income of your Company for 1975 before extraordinary charges was $95.1 million* ($3.44 per ordinary share), as compared with 1974 earnings of $119.2 million ($4.23 per ordinary share). In 1975 and 1974 extraordinary charges of $11.6 million ($0.42 per ordinary share) and $10.0 million ($0.36 per ordinary share), reduced final net income for 1975 to $83.5 million ($3.02 per share) and for 1974 to $109.2 million ($3.87 per share).

1975, like 1974, was a difficult year, with diminishing world output and trade and continuing high inflation. Canada's international trade balance worsened. Gas and petroleum production declined. Inflation continued at a significant level fueled in part by a succession of high wage settlements. A prices and wages restraint program was introduced by the Canadian Government late in the year, followed by restriction of credit.

Although 1975 was also a difficult year for Brazil, the Government has accelerated its efforts to encourage exports and reduce imports by raising the price of oil to discourage its use and taking steps which will result in oil exploration by foreign oil companies. At the same time, the domestic economy is slowing down and priorities have been established in respect of demand for resources at home and for the borrowing of funds from abroad.

To enable shareholders to follow the growth and direction of the Company's activities, this report and the Review of Operations consider Brascan Limited investments divided into three pools of capital: Light; investments in Canada; and other investments in Brazil.

### Light

The Company's principal investment, Light-Serviços de Eletricidade S.A., showed continuing growth in its operations of supplying electricity to the areas in and around São Paulo and Rio de Janeiro, the most highly industrialized and populous region of Brazil.

*Dollar figures throughout this report are expressed in United States dollars except where otherwise indicated.

Light's energy sales increased 6.2% in 1975 to 29.1 million kilowatt hours. In 1975, 70.9% of total electricity was purchased from government-owned power companies and by the year-end Light was serving 3.97 million consumers.

The Brazilian Government has shown understanding and acceptance of Light's needs for both access to investment capital and adequate rates to enable the company to carry out its planned expansion program to meet the needs of its customers. The outcome of the discussions with the Government and recent regulatory developments was outlined in a letter to shareholders dated March 23, 1976, and is covered in detail in the Review of Operations.

Light was granted an average rate increase effective January 1, 1976 of approximately 20%. The new rates should generate substantially all the revenues required to cover estimated cost of service for 1976, including a return of 12% on the rate base.

Funds for Light's capital expenditure program, in addition to those generated from operations, will be provided from three principal sources—loans from international markets, equity participation mainly derived from Brascan Limited cruzeiro funds in Brazil, and other Brazilian financial sources. The Government has agreed to make available its guarantee to facilitate international financing. Brascan Limited will continue to invest in the equity of Light, and has agreed to commit to it funds from its dividends from Light which cannot presently be remitted abroad. To the extent necessary, governmental agencies will assist in making available funds required by Light.

With the determination of the 1976 rates and with the understandings reached with the Government, Light is now in a position to proceed with the 1976 planned capital expenditure program of approximately $350 million and to arrange the financing required without detriment to its present dividend policy.

To meet the growing demand for power in its service area, Light has devoted its principal efforts in recent years to the expansion and modernization of its transmission, transformation and distribution facilities. Capital expenditures for 1974 and 1975 compared with the preceding three years give a graphic indication of the increase in scale of system expansion.

(Millions of dollars)

| 1975 | 1974 | 1973 | 1972 | 1971 |
|---|---|---|---|---|
| $233.9 | $246.1 | $123.3 | $98.7 | $83.6 |

Light management is discussing its expansion obligations and their financing with the Brazilian Government on a continuing basis.

### Investments in Canada

In December 1975 Brascan Resources acquired a 40.2% equity interest in Western Mines Limited for Can. $7.1 million. Western Mines owns two producing copper-zinc-lead mines on Vancouver Island, British Columbia, and is active in mineral and coal exploration in Canada and the United States.

During the year Brascan increased its interest in Jonlab Investments Limited from 41% to 99.9% of the outstanding common shares or their equivalent at a cost of Can. $13.5 million. Jonlab is the largest shareholder in Canadian Cablesystems Limited and in Commerce Capital Corporation Limited. In addition, Jonlab holds about 8% of the Brascan Limited outstanding ordinary shares, and has a wholly-owned subsidiary, Triarch Corporation Limited. Triarch holds interests in a number of financial service and investment management companies which represent a base for the development of a financial service group in Canada to complement the financial service activities in Brazil.

The controlling shareholder of Elf Oil Exploration and Production Canada Limited intends to discontinue the activities of Elf Oil as a separate entity. Subsequent to the year-end, a decision was reached by Brascan Resources to convert its 15% equity holding in Elf Oil to a direct participating ownership interest with others in certain exploratory properties in the Western Arctic, British Columbia and Alberta. An extraordinary charge against 1975 income of $9.6 million has been made to write down the investment.

Brascan has been seeking, for some time, to acquire an interest in an established producing oil and gas company which would complement Brascan Resources. On March 18, 1976 Great Lakes Power Corporation Limited, announced it had agreed to purchase, subject to certain conditions, the shares and other securities of Western Decalta Petroleum Limited owned by Hudson Bay Mining and Smelting Co., Limited at a price of Can. $36.3 million. Great Lakes Power Corporation is a 99% owned subsidiary of the Company and the parent of Brascan Resources.

On a fully diluted basis, this purchase would result in Great Lakes Power having a 43.8% equity interest in Western Decalta. The conditions, among other requirements, call for Western Decalta to increase its authorized capital so that it may acquire all the outstanding shares of Brascan Resources from Great Lakes Power in exchange for Western Decalta shares. This would result in Western Decalta becoming a subsidiary of Great Lakes Power. Further details of the transaction are included in the Review of Operations.

### Brascan Investments in Brazil

In 1975 a critical review of the Brazilian investment policy was undertaken. Emphasis continues on financial services and long-term projects including the expansion of brewery operations, exploration and development of natural resources, and the development of a forest products complex.

In the face of continuing losses, it was decided that the investment in Fábricas Peixe, the fruit and vegetable processor, should be disposed of, and in December 1975 it was sold to a Brazilian food processing group. The loss on sale combined with the loss on operations prior to sale totalled $11.9 million.

### Anti-Inflation Act

The Canadian Government anti-inflation legislation, in force until December 31, 1978, established guidelines to control prices, profit margins, employee compensation and dividends. Accordingly, the ability of the Company and of its Canadian subsidiaries to increase prices, profit margins, employee compensation and dividends may be restricted during the period in which the legislation is in effect.

### Board of Directors—Light

In 1975, Dr. J. J. Marques Filho retired as President of Light. Dr. Marques' invaluable services will continue to be available to Light and the Brascan Group in Brazil as a Vice-President and Director of Brascan Brazil, the management company. Dr. A. H. Leal, the Vice-President of Engineering and Technology and a long-time director of Light, was elected President.

### Board of Directors—Brascan

Mr. Henry Borden, having reached retirement age, tendered his resignation as a Director of the Company in December 1975. The Directors wish to express their appreciation for the outstanding service rendered by Mr. Borden to the Company over a period of nearly thirty years. Mr. Borden became a Director and the President of the Company in 1946 and served the longest term of any incumbent in the office of President until 1963. He served as Chairman of the Board until 1965. While his resignation has been accepted with regret, we are pleased that he has consented to continue his association with the Company as an Honorary Director.

Mr. R. E. Harrison, President of the Canadian Imperial Bank of Commerce, was appointed to fill the vacancy on the Board.

Mr. Paul G. Desmarais will not be standing for re-election as a Director at the annual meeting. Mr. Desmarais joined the Board in 1968 and his contribution to the Company during these years is acknowledged with appreciation.

### Executive Appointments

As of March 1, 1976 Mr. J. H. Moore, President of the Company, was elected Chairman. Mr. Moore will continue as Chief Executive Officer.

Mr. E. C. Freeman-Attwood, formerly Executive Vice-President, was elected President and Chief Operating Officer of the Company.

### Management and Employees

Your Company continues to be fortunate in the loyalty and the quality of performance of its employees. They have shown a willingness and an ability to adapt themselves to the process of change and development experienced in a difficult year. On behalf of the Board, we express to management and employees in Brazil and in Canada appreciation for their effort and achievement.

On behalf of the Board of Directors

J. H. Moore
Chairman

E. C. Freeman-Attwood
President

March 23, 1976

## Review of Economic Developments in 1975

### WORLD

In the past year a modest decline in output was recorded in most countries of the industrialized world. The depth of the recession and the length of the correction period were aggravated by the high prices the oil-deficient countries had to pay for crude petroleum imports.

For many developing countries it was a difficult year of lower export prices, high import costs, and inflationary pressures. By year-end, for most nations there was evidence that the recession had bottomed, and that the early stages of recovery were underway.

World trade, other than oil, showed a decline in volume of around 6% according to the International Monetary Fund. The price boom that had developed in grains, sugar and metals came to an end, and with it a decline in wholesale prices of industrial materials and food. The liquidation of inventories of base metals, rolled steel shapes, partially manufactured goods and wholesale trade items continued throughout the year in most countries.

Many nations went some distance in substituting domestic sources in place of imported materials and manufactured items. Several crops were in short supply because of weather adversities. These included wheat, coffee and cotton. Nevertheless, toward the end of 1975 there were many signs that the rate of inflation was diminishing in most developed countries. The corollary was that unemployment also increased and capital investment eased off, especially at the level of new appropriations. These problems have carried over to 1976. A large part of the squeeze on prices and the balance of payments deficits fell on the developing countries.

### CANADA

The recession of 1973 to 1975 came to Canada later than to the United States, Western Europe and Japan. By the time the impact was felt in Canada, in association with an unforeseen depletion of supplies of crude petroleum and natural gas, other industrialized countries were already correcting excessive price increases, wage costs, and credit.

In the course of 1975 weaker prices developed for several natural resource products, important in Canadian exports, such as copper, lead, zinc, lumber and wheat. Though natural gas and petroleum prices rose on export sales, far more than permitted on the domestic market, the effect was offset in part by a decline in volume.

Canada went through a period of high wage settlements and several extended and serious strikes. Many recession-struck industrialized countries substantially reduced purchases of both materials and manufactured goods. Canada became a target for foreign goods at the time when it was facing great difficulty in export markets. Thus Canada experienced a sharp deterioration in its international trade balance.

The Canadian Gross National Product rose by 0.2%, accompanied by a price inflation of 10% in 1975. Industrial production declined by 1.7%. Exports rose by 2% and imports by 10%. The balance of payments deficit rose from \$2.2 billion in 1974 to \$5.4 billion in 1975. For most of the year the Canadian dollar floated narrowly below parity with the United States dollar. There were signs that by year end the Canadian Government and general public were aware of the serious effects of inflation, and were prepared to participate in corrective measures. Beginning in October a wages, prices and incomes restraint program was put into effect by the Federal Government, to be accompanied and supported by credit restraint, and cuts in government deficits and in the growth rate of expenditures. By degrees the Canadian Government is adopting a more stimulating set of policies toward exploration and development of supplies of petroleum and natural gas.

## BRAZIL

Despite the worldwide economic problems of 1975, Brazil attained a 4% growth rate in its Gross Domestic Product. This performance was achieved in a year when the economy continued the necessary process of transition and adaptation following the impact of sharply increased oil prices.

The balance of payments problem was the major constraint on the growth of the economy. In the course of the year, restrictions on imports were imposed, with the resultant import substitution, which contributed to the slowdown of the rate of growth of the Gross Domestic Product and created inflationary pressures.

The Brazilian Government is following a policy of diversification of energy sources to diminish dependence on oil imports, which currently account for 80% of domestic consumption. This policy opens new opportunities for the participation of private foreign and national companies in contracts for exploration for Brazilian oil. It also involved the development of the nuclear power industry, in co-operation with the West German Government and private companies. The contracts signed in connection with the construction of nuclear power plants should lead to U.S. $5 billion of investments in the next ten years.

The rate of inflation in 1975, as measured by the cost of living index, was 31.2% as against 33.7% in 1974. Exceptional mid-year frost and floods in the South and Northeast of the country, respectively, caused serious damage to coffee and other crops. The consequent shortage created a setback in inflation control, especially in the second half of the year.

It is evident that the dramatic annual growth rates averaging around 10%, achieved by Brazil in the previous seven years, cannot be continued under present conditions. Government policy is now directed not only at correcting the imbalance of payments but also walking the narrow line of sustaining economic development, while attempting to contain the rate of inflation.

### Foreign Trade and Balance of Payments

Imports exceeded exports by U.S. $3.5 billion in 1975, a substantial improvement on the 1974 trade deficit of U.S. $4.7 billion. However, the total current account deficit in 1975, at U.S. $6.7 billion, was practically at the same level as in the previous year. Increased payments to service the external debt offset the improvement in the trade balance.

Both in 1975 and in 1974, the terms of trade moved against Brazil. Although a recovery in the economies of industrialized countries would have a positive effect on exports, continued pressure on the balance of trade caused the government to adopt strong measures in December 1975 to reduce imports.

The 1975 current account deficit was financed by foreign investment and loans of U.S. $5.5 billion and by a reduction in international reserves of U.S. $1.2 billion. The external debt of Brazil (private and government) reached approximately U.S. $22 billion by end-1975, or U.S. $18 billion net of holdings of foreign reserves by the Central Bank.

During 1975, the policy of readjusting the value of the cruzeiro by a series of mini-devaluations was continued. The rate of exchange declined from Cr$7.435 to Cr$9.07 to the U.S. dollar.

### Production

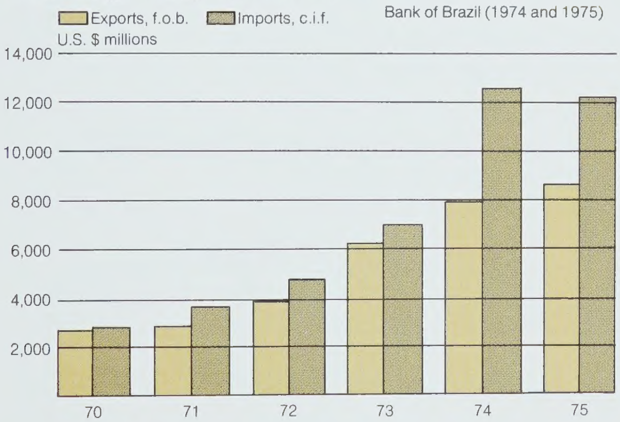
Industrial production increased by 4.2% in 1975, led by the capital goods industry, shipbuilding, and chemicals. All these products displace imports. The effect of increased gasoline prices was seen in the production of vehicles, which increased by 2.7%, much below the 18% increase recorded in 1974. However, the unit value was higher with a healthy

**Principal Exports**
Value Expressed in Millions of U.S. Dollars

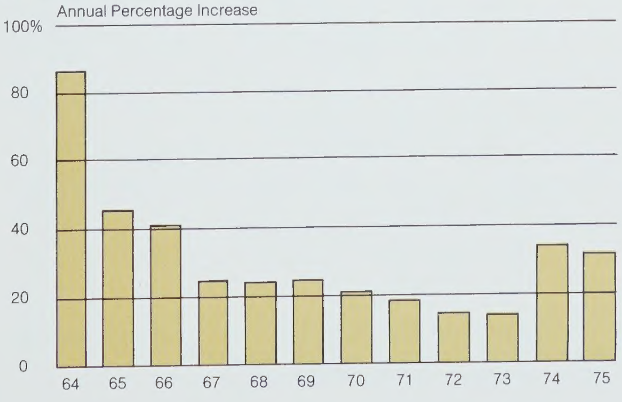
| BRAZIL | 1965 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|
| Manufactured goods | 110 | 1,222 | 1,703 | 2,963 | 3,370 |
| Coffee beans | 707 | 989 | 1,243 | 877 | 817 |
| Soluble coffee | nil | 68 | 99 | 125 | 75 |
| Soyabeans, soya meal, soyabean oil | 7 | 127 | 917 | 888 | 1,305 |
| Sugar, all types | 57 | 403 | 553 | 1,259 | 1,167 |
| Iron Ore | 103 | 232 | 363 | 571 | 873 |
| Raw cotton | 96 | 189 | 218 | 91 | 86 |
| Meats (beef) | 37 | 220 | 218 | 111 | 62 |
| Cocoa | 28 | 59 | 89 | 210 | 201 |
| All exports | 1,595 | 3,991 | 6,199 | 7,967 | 8,650 |

(Based on figures supplied by Bank of Brazil)
(1975 figures, subject to minor revision)

**Brazil Foreign Trade, 1970-1975** Source: Ministry of Planning
Bank of Brazil (1974 and 1975)




**Cost of Living Index in Rio de Janeiro, 1964-1975**




increase in commercial vehicle production. Steel production of 8.3 million metric tons was 10.7% greater than in 1974, while production of cement increased by 8.7%.

Agricultural production increased only slightly in 1975 relative to the previous year, due to adverse climatic conditions. The outstanding crop was soyabeans, which was 20% over that of 1974. Increased livestock production enabled that sector to show a 3.4% rate of growth. Frost damage will cause the 1976 coffee crop to be small, but former levels of production are expected to be restored by 1978. Export earnings from coffee may improve due to the rise in international prices caused by supply shortages. Prospects for 1976 crops of soyabeans, wheat and sugar are good.

### Monetary and Fiscal Policy

In the first quarter of 1975, a tight monetary policy was maintained, resulting in a decrease in real liquidity. After some easing in the second quarter, the monetary authorities permitted the money supply to increase sharply after mid-year, particularly to aid the farming community hit by frost and, later, by drought.

This behavior helped a recovery of business activity in the last quarter of the year, though it may have increased inflationary pressures.

The revival of business activity in the last quarter of 1975 increased tax revenue beyond expectations and resulted in a surplus on the annual budget. Several tax reductions were introduced during the year to further government policies toward certain industries, e.g. textiles, and to ameliorate the tax burden of wage and salary earners. The Government, in pursuance of its policy of reducing income imbalance, increased legal minimum wage levels by rates higher than the rates of increase in the cost of living indices.

## Principal Investment Areas of Brascan

December 31, 1975*

**Brascan** Limited
$2,247

**Light**
$1,638
72.9% of total

UTILITY $1,638

| | |
|---|---|
| Light | 83% |

**Brascan Investments in Canada**
$293
13.0% of total

UTILITY $62

| | |
|---|---|
| Great Lakes Power | 100% |

CONSUMER GOODS AND SERVICES $71

| | |
|---|---|
| Labatt | 31% |
| Hudson's Bay | 7% |
| Can. Cable | 26% |

NATURAL RESOURCES $106

| | |
|---|---|
| Austen & Butta | 25% |
| Brascan Resources | 100% |
| Elf Oil | 15% |
| Magnorth | 12% |
| Coalition | 100% |
| Western Mines | 40% |

FINANCIAL SERVICES $10

| | |
|---|---|
| Triarch | 100% |
| Commerce Capital | 28% |

OTHER $44
General corporate assets

**Brascan Investments in Brazil**
$316
14.1% of total

CONSUMER AND INDUSTRIAL GOODS AND SERVICES $49

| | |
|---|---|
| Swift-Armour | 41% |
| Skol-Caracu | 24% |
| Metal Forty | 70% |
| Caravelas | 100% |
| Delmar | 50% |
| FNV | 29% |
| Embrasca | 49% |

NATURAL RESOURCES $3

| | |
|---|---|
| Promisa | 100% |
| Jacundá | 60% |

FINANCIAL SERVICES $182

| | |
|---|---|
| Banco Brascan | 100% |
| Crefinan | 51% |
| Brascanlease | 100% |
| Brascan Corretora | 100% |

TOURISM AND REAL ESTATE $26

| | |
|---|---|
| Gávea Hotel | 60% |
| São Conrado | 67% |
| Paratí | 50% |

OTHER $56
Government obligations

*Figures are stated in millions of United States dollars and represent book values of assets at December 31, 1975 as shown in the Consolidated Balance Sheet without deduction of liabilities. Except as otherwise stated, percentages represent the percentage voting interest without deduction of nominal minorities.

## Operating Companies

The following are the full names of the companies whose names are abbreviated in the foregoing table, and a brief description of the nature of their principal business activities.

| | |
|---|---|
| Austen & Butta | —Austen & Butta Limited—Australian coal mining company. |
| Banco Brascan | —Banco Brascan de Investimento S.A.—An investment bank. |
| Brascanlease | —Brascanlease—Comércio e Arrendamento S.A.—Equipment and machinery leasing. |
| Brascan Corretora | —Brascan Corretora de Seguros Ltda.—Insurance broker. |
| Brascan Resources | —Brascan Resources Limited—Natural resource exploration and development. |
| Can. Cable | —Canadian Cablesystems Limited—A holding company engaged through its group of companies, in operating cable TV systems and theatres. |
| Caravelas | —Caravelas Frutas Tropicais S.A.—Pineapple plantation in development phase. |
| Coalition | —Coalition Mining Limited—Coal exploration and development. |
| Commerce Capital | —Commerce Capital Corporation Limited—Financing activities, including mortgage financing and factoring. |
| Crefinan | —Crefinan S.A.-Crédito Financiamento e Investimentos—Consumer credit. |
| Delmar | —Delmar-Produtos do Mar S.A.—Lobster fishery. |
| Elf Oil | —Elf Oil Exploration and Production Canada Ltd.—Oil and gas exploration. To be disposed of in 1976. |
| Embrasca | —Embrasca-Empreendimentos Florestais e Agrícolas Ltda.—Forest industry. |
| FNV | —FNV—Fábrica Nacional de Vagões S.A.—Manufacturer of railway equipment and automotive parts. |
| Gávea Hotel | —Gávea Hotelaria e Turismo S.A.—Hotel company. |
| Great Lakes Power | —Great Lakes Power Company, Limited—Generation and distribution of electric power in the Sault Ste. Marie area in Northern Ontario. |
| Hudson's Bay | —Hudson's Bay Company—Retail and wholesale merchandising company with interests in oil and gas exploration and real estate. Disposed of in 1976. |
| Jacundá | —Companhia de Mineração Jacundá S.A.—Tin mining. |
| Labatt | —John Labatt Limited—A Canadian management holding company engaged, through its group of companies, in the manufacture, distribution and sale of beverages and a wide range of industrial products, consumer food products and food services. |
| Light | —Light-Serviços de Eletricidade S.A.—Generation, purchase, transmission and distribution of electric power in concession areas which include São Paulo and Rio de Janeiro. |
| Magnorth | —Magnorth Petroleum Ltd.—Oil and gas exploration and development. |
| Metal Forty | —Metal Forty S.A.-Conservas Alimentícias—Sardine canner. |
| Paratí | —Paratí—Desenvolvimento Turístico S.A.—Resort development. |
| Promisa | —Promisa Mineraçõ e Prospecções Minerais S.A.—Non-ferrous metals exploration and development. |
| São Conrado | —São Conrado Green—A real estate project involving the construction and marketing of condominium apartments. |
| Skol-Caracú | —Cervejarias Reunidas Skol-Caracú S.A.—Brewing and soft drink production. |
| Swift-Armour | —Swift-Armour S.A.-Indústria e Comércio—Meat packing, cattle raising, and grain trading. |
| Triarch | —Triarch Corporation Limited—Investment management and counselling. |
| Western Mines | —Western Mines Limited—Copper, lead, zinc, gold and silver mining. |

## Review of Operations—1975*

To provide Shareholders with a more readily understandable review of operations, the 1975 report divides Brascan's operations into its three distinct pools of capital: Light-Serviços de Eletricidade S.A.; Brascan's investments in Canada; and its investments in Brazil. Each activity represents different investment and management challenges as well as growth and earnings opportunities. They are therefore treated separately.

Consolidated income for 1975 before extraordinary items amounted to $95.1 million ($3.44 per ordinary share) compared with $119.2 million ($4.23 per ordinary share) for 1974. Extraordinary charges to write down the Company's investments by $11.6 million ($0.42 per ordinary share) in 1975 and by $10.0 million ($0.36 per ordinary share) in 1974 were recorded which reduced final net income to $83.5 million ($3.02 per ordinary share) and $109.2 million ($3.87 per ordinary share) in the respective years. The reduction in net income in 1975 compared to the prior year resulted substantially from operations in the investment and industrial sectors as described below.

*The Company's financial statements are expressed in United States currency and all references to dollars in this Review are to United States dollars unless otherwise indicated.

Consolidated income before the extraordinary charges, by source and currency, which is set out in detail on page 36, is summarized below.

Cash dividends paid amounted to $27.6 million in 1975 and $26.9 million in 1974, representing 90% of the dollar component of earnings in each year.

Under the legislation governing remittances from Brazil, the Company received during the year all dollar amounts to which it was entitled within existing registrations.

### Translation of Cruzeiros to Dollars

Cruzeiro revenues and expenses were translated into dollars in 1975 at the average exchange rate for the year Cr$8.143 (Cr$6.80 in 1974) except for depreciation which was translated at the same rate as that used for translation of the related assets. The year-end rate of exchange was Cr$9.07 as compared with Cr$7.435 at the previous year-end. During the year the external devaluation of the cruzeiro relative to the United States dollar was 18.0%, whereas in 1974 the comparable figure was 16.3%.

SUMMARY OF CONSOLIDATED INCOME

| | 1975 | | 1974 | |
|---|---|---|---|---|
| | Amount | $ per Share | Amount | $ per Share |
| | (000's) | | (000's) | |
| **Source** | | | | |
| Electric utility—Brazil | $116,545 | $4.21 | $118,869 | $4.22 |
| Investment and industrial operations | | | | |
| Brazil | (15,971) | (0.58) | 4,363 | 0.15 |
| Canada and other | ( 1,471) | (0.05) | 68 | |
| | (17,442) | (0.63) | 4,431 | 0.15 |
| Net income before general corporate expenses | 99,103 | 3.58 | 123,300 | 4.37 |
| General corporate expenses | ( 3,990) | (0.14) | ( 4,077) | (0.14) |
| Consolidated income before extraordinary charges | $ 95,113 | $3.44 | $119,223 | $4.23 |
| **Currency** | | | | |
| Dollar components | $ 30,606 | $1.11 | $ 29,892 | $1.06 |
| Cruzeiro components | 64,507 | 2.33 | 89,331 | 3.17 |
| | $ 95,113 | $3.44 | $119,223 | $4.23 |

## Light-Serviços de Eletricidade S.A.

Brascan's principal investment in Brazil is Light-Serviços de Eletricidade S.A., the largest private electric utility in South America.

Brascan owns an 83.0% interest in Light. The minority shares are held 8.5% by the Banco Nacional de Desenvolvimento Economico (National Economic Development Bank), 0.2% by Centrais Elétricas Brasileiras S.A. (Eletrobrás), the federal power agency, and 8.3% by over 150,000 Brazilian shareholders.

Light supplies electricity to the cities and environs of São Paulo and Rio de Janeiro, the most highly industrialized and populous area of Brazil. At year-end Light had 3,973,000 consumers in its concession areas, having a population of approximately 20,000,000 people.

In the 1974 Annual Report and in subsequent Interim Reports to Shareholders, reference was made to the discussions undertaken by Light with the Brazilian Government concerning the need for both access to capital and adequate rates to enable the Company to expand its system to meet the requirements of the fast growing area it serves. These discussions have now been concluded and Light is in a position to proceed with its plans for financing and capital expenditure without detriment to its regular dividend policy.

In December 1975 new regulations were introduced, applicable to all electric utilities, some of which were effective from the beginning of 1975. These are aimed at obtaining increased uniformity in the utility sector.

### The Regulatory System

The new regulations have altered the method of administering the regulatory system of "service at cost", which continues in force.

The regulatory system, which has been in effect since 1965, involves setting rates for electricity at a level which will produce operating revenues sufficient to cover (1) operating expenses of the service, (2) provisions for depreciation and reversion, (3) allowable return on the rate base (the effective rate of return was 10% up to 1971; thereafter a range of from 10% to 12% applies), and (4) adjustment for prior years' accumulated deficiency or surplus of revenues as compared with the related cost of service.

The main components of the rate base, referred to in (3) above, are utility plant in service and an allowance for working capital. Utility plant in service for this purpose is the net depreciated book value in cruzeiros, adjusted annually by application of indices of monetary correction to offset the inflationary decline in the value of the currency.

Electricity rates are established periodically based on forecasts of the cost of service (as defined above), sales volume, and the rate base. Because rates are based on estimates, there may be, in any one year, some surplus or deficiency of revenue when compared with the actual cost of service. If there is a surplus (i.e. when revenues exceed the cost of service), this amount is taken into account in establishing rates in subsequent years, and is accordingly excluded from both current operating revenues and income, and deferred to such subsequent years. If there is a shortfall in revenues, the deficiency is only recoverable from future rates and is taken into operating revenues when received.

### New Regulations

While the basic principles of "service at cost" are being maintained, provisions of the new regulations introduced some significant changes. The major changes are:

(1) Due to a fundamental change in the allowance for working capital which now requires the deduction of current liabilities, the 1975 rate base has been reduced as compared to what it would have been on the old basis. The effect of this reduction in 1975 was to lower the maximum allowable return on the rate base by $20.0 million.

(2) Historically, Light's annual gross revenue has represented electricity sales actually billed. The new regulations require that estimated electrical energy already delivered to consumers in 1975, but unbilled at December 31, be recorded for regulatory purposes as additional revenue for the year and the Company's accounting policies have been adjusted to reflect this new requirement. As a result of the change in accounting for unbilled revenue, 1975 operating revenues have been increased by $18.8 million to bring Light's return up to the maximum allowable limit of 12% on its revised rate base. The effect of this change was to increase the Company's 1975 net income by $13.2 million ($0.48 per ordinary share). Previously reported net income for 1974 was not altered.

Unbilled revenues in excess of $18.8 million represent a surplus (i.e. revenues exceed cost of

service). This surplus has been deferred to subsequent years in accordance with the Company's normal practice.

(3) The new regulations provide for other basic changes affecting 1976 and future years. The principal change requires that the plant in service component of the rate base be calculated on average month-end balances instead of that at the year end. In 1976 the effect of these changes will be to reduce the rate of growth of the rate base and in the related allowable return. However, its impact on this rate of growth in subsequent years should be minimal. The extent of the 1976 reduction cannot be determined with accuracy pending the issue of detailed instructions by the regulatory authority and the implementation of some changes in operating procedures.

### Rates

The regulatory authority has determined that Light earned 11.57% on its 1974 rate base. This falls within the allowable limits of 10% to 12%. Although this is less than the 12% earned and allowed in 1972 and 1973 and originally expected for 1974, there is, under this determination, no 1974 deficit to be recovered in subsequent rates.

Effective January 1, 1976 Light was granted an average rate increase of approximately 20%. The new rates are designed to generate substantially all the revenues required to cover the estimated cost of service including a return on the rate base at 12% for 1976. It is assumed that if there are any major unforeseen cost increases, they will be covered by further rate increases.

### Capital Expenditures and Financing

With the determination of the 1976 rates, as outlined above, and certain other understandings with the Government, as discussed below, Light is now in a position to proceed with the 1976 planned capital expenditure program of approximately $350 million and to arrange the financing required.

The funds for this program, besides those generated from operations, will be provided from three principal sources—loans from international markets, equity participation mainly derived from Brascan Limited cruzeiro funds in Brazil, and other Brazilian financial sources.

The Government has agreed to make available its guarantee to facilitate international financing.

Brascan Limited will continue to invest in the equity of Light, and has agreed to commit to it that part of its dividends from Light which cannot be remitted abroad at present. Under certain circumstances this commitment can be reduced. Finally, to the extent necessary, governmental agencies will assist in making available funds required by Light.

### Light Dividend Policy

The Government has understood, and accepts, the need for Light to maintain its regular dividend policy of distributing each year two semi-annual cash dividends of 6% each, together with an annual stock dividend. Light is of the opinion that its present situation will enable it to do so.

### Electric Utility Operations

Net electric utility income of Light decreased in 1975 by $2.4 million to $116.5 million from $118.9 million in 1974.

The major components of this decrease are as follows:

| | |
|---|---|
| Increase in allowable remuneration | $27.0 |
| Variation on translation of recoverable items into dollars | 6.7 |
| Increase (net) in expenses not recoverable in rates | (4.6) |
| Increase in operating income | 29.1 |
| Increase in income deductions | |
| —interest expense (net) | (19.8) |
| —other | (11.7) |
| | $(2.4) |

Electric energy sales increased 6.2% in 1975 to 29,081 million kilowatt hours. Industrial consumption, which represented 51.0% of total sales, rose by 4.3% during the year. Residential sales rose by 8.3% to 6.4 billion kilowatt hours, while commercial sales went up 9.1% to 4.9 billion kilowatt hours. The peak load for the system reached 5,543 megawatts in December 1975, an increase of 6.2% over the 1974 peak.

Light continued to purchase an increasing proportion of its electric power requirements from government-owned generating companies. In 1975, 70.9% of electricity was purchased as compared with 67.9% in 1974. As in 1974, operation of Light's oil-fired generating plant of 410 megawatt's capacity was severely curtailed in support of the Government's program to restrict consumption of oil.

Nationwide generating capacity reached 19,578 megawatts by the end of 1975. Substantial additional

hydro-electric and nuclear power plants are being developed by Federal and State companies and agencies. It is estimated that Brazil's installed generating capacity will reach approximately 33,800 megawatts by the end of 1980. Work was begun in 1975 on the 12,600 MW Itaipú hydro-electric project on the Brazil-Paraguayan border. Of the energy to be produced by Itaipú for consumption in Brazil, 51% will be transmitted to Light for distribution within its concession areas when the units of the plant start to come on line in the early 1980's.

Light's capital expenditures in 1975 for transmission and distribution facilities amounted to $233.9 million. While this was less than the expenditure forecast earlier in the year, all principal objectives of the year's program were attained and in the cases of substation capacity and meters installed, the program was exceeded.

Two large transformer terminals were put into service in São Paulo during the year: Terminal Sul with an initial capacity of 800,000 KVA and Baixada Santista with an initial 500,000 KVA. A further net capacity of 500,000 KVA was installed in the existing Terminal Leste and São José stations. This additional 1,800,000 KVA of transformer capacity will result in improved service to all customers on the São Paulo system and will better serve the growing loads adjacent to the terminals.

As previously reported, Light initiated discussions with the Ministry of Mines and Energy to redefine its responsibility with respect to the construction of extra high voltage transmission systems and interconnection facilities. Considerable progress has been made in this direction, and Light will not be required to invest in the construction of such facilities to be initiated in the future. Extra high voltage stations currently under construction by Light will, upon completion, be sold without loss to government-owned bulk suppliers. Negotiations are now underway to bring this about.

The extent of the growth in capital expenditures (excluding the allowance for interest on funds used in construction) for the years 1971 through 1975 and the sources of funds for these are shown below.

During 1975, Light placed a $100 million Eurodollar loan with a group of North American, European and Middle Eastern banks (five year term extendible to eight years). This loan, managed by Brascan, was the first such Light syndication to receive a Brazilian Federal Government guarantee. In addition, a loan of $20.5 million was negotiated with Citibank N.A. (8½ year term). Since December 31, 1975 Light has drawn down a loan of $30 million from Chase Manhattan Bank N.A. and West LB International (seven year term). Light has also arranged for Can. $10 million of export credit facilities from the Canadian Export Development Corporation and a Canadian chartered bank available for draw down over the next several years. Negotiations for an eight year term loan of $100 million, to be guaranteed by the Republic of Brazil, are now underway with a consortium of banks.

Funds were also obtained in 1975 from an increase of $56.3 million in Light's equity capital, resulting from a share offering made to existing shareholders. Brascan Limited, through its subsidiaries, subscribed $51.6 million out of its cruzeiro funds in Brazil and $4.7 million was taken up by the Brazilian public.

| SOURCES OF CAPITAL FUNDS | $ millions Years ended December 31 | | | | |
|---|---|---|---|---|---|
| | 1975 | 1974 | 1973 | 1972 | 1971 |
| Total capital expenditures | $ 233.9 | $ 246.1 | $ 123.3 | $ 98.7 | $ 83.6 |
| Provided from external sources: | | | | | |
| Long-term borrowing | $ 138.8 | $ 105.5 | $ 1.1 | $ 52.5 | $ .4 |
| Capital subscriptions | 56.3 | | .3 | 19.5 | |
| Customers' contributions | 3.3 | .8 | .3 | 2.3 | 1.9 |
| Reversion | | | | | 29.2 |
| Reversion interest | | | | | 7.6 |
| | 198.4 | 106.3 | 1.7 | 74.3 | 39.1 |
| Provided from operations and other internal sources | 35.5 | 139.8 | 121.6 | 24.4 | 44.5 |
| | $ 233.9 | $ 246.1 | $ 123.3 | $ 98.7 | $ 83.6 |

## Brascan Investments in Canada

Brascan's diversification program in Canada started in 1967. Since that date the Company has made significant investments in the natural resource, consumer goods and services, electric utility and financial services areas as set forth on the chart on page 8.

A summary of the investment by segments as well as a summary of the income from these segments is shown below:

### SUMMARY OF INVESTMENT BY SEGMENTS

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| | (in millions of dollars) | |
| Natural resources | $106.0 | $ 99.6 |
| Consumer goods and services | 70.8 | 57.5 |
| Electric utility | 62.1 | 61.3 |
| Financial services | 9.7 | |
| Other corporate assets | 44.5 | 57.5 |
| | $293.1 | $275.9 |
| Brascan equity(1) | $106.1 | $132.0 |

(1) After deduction in 1975 of $24.6 million in respect of shares of Brascan held by Jonlab Investments Limited.

### INCOME STATEMENT

| | 1975 | 1974 |
|---|---|---|
| | (in million of dollars) | |
| Income (loss): | | |
| Natural resources | $ 1.3 | $ .2 |
| Electric utility | 5.6 | 5.3 |
| Financial services | .1 | |
| Investment income– | | |
| Consumer goods and services | 3.6 | 3.5 |
| Other | 1.9 | 2.9 |
| Trading– | | |
| Discontinued operations | (1.3) | (.6) |
| Loss on disposal | (1.5) | |
| Other | (.9) | (.1) |
| | 8.8 | 11.2 |
| Expenses not allocated: | | |
| Interest on long-term debt | 8.9 | 9.5 |
| Minority interest | .5 | |
| Taxes | .9 | 1.7 |
| | 10.3 | 11.2 |
| Loss before extraordinary items | $(1.5) | $ – |

### NATURAL RESOURCES

The Company's investment, through Brascan Resources Limited, in the natural resource area has been building steadily and at the year-end amounted to $106 million at book value. The bulk of this investment has been in exploration, development, or acquisition of oil and gas reserves. The value of this investment at December 31, 1975 was substantially in excess of book value.

The results of this investment are only now beginning to emerge. Earnings for the year before income taxes and extraordinary items increased to $1.3 million from $0.2 million the previous year, while cash flow from operations increased to $3.0 million from $1.6 million. Earnings and cash flow from this source are expected to increase significantly over the next few years as the expected return on the investment in this area materializes.

#### Proposed Acquisition

Brascan has sought to acquire a position in a significant producing oil and gas company which would complement Brascan Resources at the present stage of its development. On March 18, 1976 Great Lakes Power Corporation announced that it had agreed to acquire, subject to certain conditions, the securities of Western Decalta Petroleum Limited owned by Hudson Bay Mining and Smelting Co., Limited at a price of Can. $36,322,000. The securities consist of 2,934,212 common shares representing a 35.6% equity interest, and Can. $6.3 million principal amount of debentures which are convertible into an additional 1,188,000 common shares of Decalta. If the convertible securities were to be converted, Great

Lakes would then have a 43.8% equity interest in Decalta. In addition, Great Lakes would assume certain employee stock option obligations on 188,000 common shares.

The transaction is subject to certain conditions. Decalta will increase its authorized capital so that it can acquire all of the outstanding shares of Brascan Resources from Great Lakes in exchange for Decalta shares. This would result in Decalta becoming a subsidiary of Great Lakes. The proposed share exchange, based on independent evaluations of both Brascan Resources and Decalta, will be submitted for approval by Decalta's shareholders. Hudson Bay Mining and Smelting has agreed that it will refrain from voting its shares on these matters in order that it will have no part in the independent approval by the other shareholders of Decalta.

For the year ended December 31, 1975 Decalta reported net income of Can. $4.9 million (Can. $0.60 per share) up from Can. $3.5 million (Can. $0.42 per share) in 1974. Cash flow reported from operations increased to Can. $11.7 million from Can. $9.8 million.

### Oil and Gas Operations

Brascan Resources holds extensive oil and natural gas acreage in Alberta and to a lesser extent elsewhere in Canada, off the Labrador coast and in the United States.

Oil and natural gas rights owned by Brascan Resources total 8.2 million gross acres, of which Brascan's net share is 2.7 million acres including the acreage to be received from Elf Oil as discussed elsewhere.

In 1975 Brascan Resources participated in 46 wells which were drilled in Alberta.

### Drilling Activity

| | Oil | Gas | Dry | Total |
|---|---|---|---|---|
| Gross wells | 2 | 24 | 20 | 46 |
| Net wells | 0.7 | 14.9 | 11.5 | 27.1 |
| Royalty interest | | 5.0 | 4.0 | 9.0 |

At December 31, 1975 estimated gross recoverable petroleum reserves were as follows:

| | 1975 | | 1974 | |
|---|---|---|---|---|
| | Crude Oil | Raw Gas | Crude Oil | Raw Gas |
| | (millions of barrels) | (billions of cubic feet) | (millions of barrels) | (billions of cubic feet) |
| Proven | 2.9 | 254.8 | 4.0 | 213.4 |
| Probable | 1.9 | 344.0 | 1.6 | 356.6 |
| | *4.8 | 598.8 | 5.6 | 570.0 |

* The drop in crude oil proven reserves is due to production and engineering reserve revisions.

### Production

Production in 1975 was 299,000 net barrels of crude oil and condensate. Natural gas production was 5.6 billion cubic feet of which 4.6 billion cubic feet was working interest production.

### Exploration

Oil and gas exploration programs are concentrated primarily in Alberta with the greatest emphasis directed towards the development of natural gas in the east central region.

Certain of these programs are seeking gas accumulations similar to the Hairy Hills, Willingdon area which was brought on stream in 1975. Brascan Resources is also drilling in seven shallow gas areas to find extensions to previously discovered reserves which were contracted to Pan Alberta Gas Ltd., a gas purchaser. Deliveries are scheduled during 1976.

In the Minnehik area of west central Alberta, five wells have shown gas and/or oil accumulations in several geological horizons. Further drilling and testing will be carried out during 1976 to evaluate this discovery.

### Elf Oil and Exploration and Production Canada Ltd

Brascan Resources acquired its 15% interest in Elf Oil in 1970. Elf Oil has been active in high risk exploration in the Canadian Arctic.

The controlling shareholder of Elf Oil wishes to discontinue the activities of Elf Oil as a separate entity. As a result of this decision Brascan Resources

and the other minority shareholder were of the opinion that their best course of action would be to exchange their Elf Oil investment for exploratory lands owned by Elf Oil.

Brascan Resources reached an agreement in principle with Elf Oil to convert its investment to a direct ownership interest, jointly with others, in certain Elf exploratory lands in the Beaufort Sea, offshore Northwest Territories and in British Columbia and Alberta.

In 1974 the carrying value of this investment was reduced by $10 million and in 1975 an additional write down of $9.6 million was recorded, both as extraordinary charges to income.

A large portion of the interests in exploratory acreage to be obtained from Elf is in the Beaufort Sea area (offshore the Mackenzie Delta). Dome Petroleum is committed to drill two wells on the Hutchison Block at no cost to Brascan with drilling expected to begin in 1976. Brascan Resources has a 12% interest in this block.

### Minerals

Mineral properties total 223,051 gross acres or 130,548 net acres.

Brascan Resources' mineral exploration program during 1975 included drilling and surface evaluation conducted on mineral claims held by the Yava Syndicate in the Northwest Territories in which Brascan Resources holds a 45% interest and acts as operator. It also participated with Noranda in a large drilling program on a Saskatchewan uranium property. Further work is planned on this property in 1976.

Drilling on the Tillex copper prospect in Ontario and on the Silvermaque zinc property in Nova Scotia showed encouraging results and work on both properties is scheduled for 1976.

### Western Mines Limited

In December 1975, Brascan Resources acquired a 40.2% equity interest in Western Mines. Western Mines owns two producing copper, zinc, lead, gold and silver mines, the Lynx and the Myra, in the Buttle Lake area of Vancouver Island, British Columbia. Western Mines is active in mineral and coal exploration in Canada and the United States. Consolidated net income for the year ended December 31, 1975 was Can. $0.7 million, or Can. $0.13 per share.

### Coal

Brascan Resources has coal properties located in British Columbia, Alberta and Saskatchewan. Its major coal investment is the Sukunka Project, a high grade coking coal deposit in northeastern British Columbia, with reserves of an estimated 100 million tons. The future development of this project is contingent upon the completion of current studies indicating whether it will be a viable project and the outcome of discussions with potential partners.

Brascan Resources currently holds a 12½% working interest in the project, with the option to acquire an additional 47½% working interest from Brameda Resources Limited, exercisable up to June 30, 1976.

Exploration activity in 1975 included field work and the drilling of 30 shallow diamond drill holes which defined additional reserves of open pit coal.

In Alberta, Brascan Resources has completed its initial drilling program on an optioned property in the Ram River area. In the Wabanum area west of Edmonton, the Company is conducting a shallow drilling program on lands that adjoin the North Wabanum pit, which is currently being mined by Calgary Power Ltd.

In Saskatchewan, feasibility studies are being carried out on a lignite property near the town of LaRonge.

## ELECTRIC UTILITY

Great Lakes Power Corporation generates and distributes electricity through its subsidiary, Great Lakes Power Company, Limited, in the Sault Ste. Marie region of Ontario.

Great Lakes Power serves 8,000 customers in 26 communities and municipalities including surrounding rural areas as well as major industries in the Sault Ste. Marie region.

In 1975 capital expenditures totalled $2.1 million compared with $4.9 million in 1974.

For the year ended December 31, 1975 the operating revenue of the utility was $18.9 million (1974–$18.1 million) and pre-tax income was $5.6 million (1974–$5.3 million).

## FINANCIAL SERVICES

As reported during the year, Brascan increased its investment in Jonlab Investments Limited to 99.9% of the outstanding common shares, or their equivalent. Jonlab is the largest shareholder in Canadian Cablesystems Limited and in Commerce Capital Corporation Limited. In addition, Jonlab holds about 8% of the Brascan Limited outstanding ordinary shares, and has a wholly-owned subsidiary, Triarch Corporation Limited. Triarch holds interests in a number of financial service and investment management companies, and represents a base for the development of a financial service group in Canada.

## INVESTMENTS

Brascan has the following investments in shares of Canadian companies:

| | Cost | |
|---|---|---|
| | 1975 | 1974 |
| | (in millions of dollars) | |
| John Labatt Limited | $44.5 | $44.5 |
| Canadian Cablesystems Limited | 13.3* | |
| Hudson's Bay Company | 13.0 | 13.0 |
| Commerce Capital Corporation | 2.2* | — |
| | $73.0 | $57.5 |

*acquired in 1975 through the acquisition of Jonlab Investments Limited.

Consolidated income includes only dividends received from the above investments.

### John Labatt Limited

Brascan has a 24.4% interest in John Labatt Limited on a fully diluted basis.

For the year ended April 30, 1975 Labatt reported gross sales of Can. $727.5 million, an increase of 20.6%. Net earnings were Can. $22.2 million, a decrease of 1.7% from the previous year. After providing for dividends on preferred shares, net earnings on a fully diluted basis were Can. $1.84 per common share compared with Can. $1.87 for the previous year.

Labatt consolidated net income for the nine months ended January 31, 1976 was Can. $17.6 million (Can. $1.37 per share fully diluted) compared with Can. $16.0 million (Can. $1.33 per share fully diluted) in the same period in the previous year. The full year's earnings are expected to be at about the same level as for the year ended April 30, 1975.

### Canadian Cablesystems Limited

Brascan has a 26% interest in Canadian Cablesystems Limited, which in turn holds a 49% interest in Famous Players Limited. For the year ended August 31, 1975, consolidated net income for Canadian Cablesystems was Can. $5.4 million.

### Hudson's Bay Company

Until January 1976 Brascan held 7% of the shares of Hudson's Bay Company which were acquired in 1970 at a cost of Can. $13.2 million. This investment has now been sold to other Canadian investors for approximately Can. $14.4 million. Proceeds from the sale will enable the Company to focus its Canadian investment activities more sharply in its areas of primary interest.

### Commerce Capital Corporation Limited

Consolidated net income for Commerce Capital Corporation Limited for the year ended December 31, 1975 was Can. $1.3 million. Brascan's interest in this financial service company is 28%.

## TRADING

Brascan has been involved in international trading in North America, Japan, Europe and Brazil. In view of continuing difficulties and losses on these operations the decision has been taken to discontinue all trading operations outside Brazil. Provision has been made for the losses to be incurred in 1976 in implementing this decision.

## Brascan Investments in Brazil

It has been the Company's policy to invest in selected areas in Brazil in which it has similar investments in Canada or where it has access to specific expertise through joint venture arrangements. These areas include financial services, consumer and industrial goods and services, natural resources, tourism and real estate.

Funds for these investments have been derived from the portion (75%) of the principal amount being received under the 1966 agreement for the sale of the telephone utilities which must be reinvested in Brazil; from the unremitted dividends of Light which have not been reinvested in Light; from direct capital investments, and from the income from the investments.

The emphasis in the investment of these funds has been on long-term potential rather than immediate profitability. Consequently some of the more substantial projects are still in the development stage and not yet contributing to profits.

A summary of the investment by segments as well as a summary of the income from these segments is shown below.

SUMMARY OF INVESTMENT BY SEGMENTS

| | December 31 1975 | 1974 |
|---|---|---|
| | (in millions of dollars) | |
| Financial services | $182.1 | $170.7 |
| Tourism and real estate | 26.1 | 18.8 |
| Consumer and industrial goods and services | 49.2 | 70.3 |
| Natural resources | 3.0 | 1.9 |
| Other assets (government obligations) | 56.4 | 60.3 |
| | $316.8 | $322.0 |
| Brascan equity | $177.4 | $221.2 |

The decline of the Brascan equity in this pool in 1975 resulted primarily from the additional equity investment in Light as discussed on page 13.

INCOME STATEMENT

| | 1975 | 1974 |
|---|---|---|
| | (in millions of dollars) | |
| Income (Loss): | | |
| Financial services | $ 6.7 | $ 6.6 |
| Tourism and real estate | 1.2 | .2 |
| Consumer and industrial goods and services | (4.9) | 1.2 |
| Natural resources | (1.2) | (.8) |
| Investment income | 4.5 | 4.9 |
| Loss on sale of Peixe | (7.2) | |
| Loss on discontinued operations (Peixe) | (4.7) | (.4) |
| | (5.6) | 11.7 |
| Expenses not allocated: | | |
| Taxes | 5.5 | 3.2 |
| General administrative | 4.9 | 4.2 |
| | 10.4 | 7.4 |
| Net income (loss) | $(16.0) | $ 4.3 |

FINANCIAL SERVICES

Banco Brascan, the main company in the Banking Group, offers a full range of investment banking services to both private clients and government. It has offices in Rio de Janeiro, São Paulo, Recife, Brasília and Pôrto Alegre and is particularly active in medium-term lending, money market activities, funds and portfolio management, and underwriting operations. The bank had total assets of $135.0 million at the year end, an increase of $16.6 million over the previous year.

Money market operations handled by Banco Brascan in 1975 amounted to the equivalent of $16,332 million as against $7,495 million in 1974. At December 31, 1975 the total market value of

investment funds and portfolios managed was $9.2 million.

The principal operations of Crefinan, the Banking Group's consumer credit company, are in the financing of consumer instalment purchases on a recourse basis through large retail chains. At the year-end the outstanding value of consumer loans was $23.1 million, compared to $25.5 million in the previous year.

Risk management services are provided to a growing number of clients by the insurance brokerage operations of Brascan Corretora de Seguros.

Consolidated income, before taxes, from financial services amounted to $6.7 million in 1975.

### TOURISM AND REAL ESTATE DEVELOPMENT

The 500-room hotel, Inter-Continental Rio, owned 60% by Brascan, which opened in late 1974 is now reaching its projected level of occupancy.

In 1975 Brascan entered a real estate development project in which it has a 66⅔% interest. The project includes plans for a five-building, 360 unit apartment complex on land adjoining the hotel. Sales contracts for substantially all apartments have been closed with individual buyers (in advance of construction, in accordance with local practice). Financing has been arranged and construction began in March 1976. Remaining adjacent land is destined to be developed for commercial and residential purposes.

The Paratí development, in which Brascan is participating in joint venture with Adela Investment Company, consists of a seaside resort of 2,810 acres located a few miles south of the historical town of Paratí on the coast half-way between Rio de Janeiro and Santos. Sale of approximately 270 residential lots on the site is underway and it is expected that the project will be completed during 1977.

### CONSUMER AND INDUSTRIAL GOODS AND SERVICES

This sector incurred a loss of $4.9 million compared with a profit of $1.2 million in 1974, excluding the loss sustained on the operations and sale in December 1975 of Fábricas Peixe, as shown below.

Income from Consumer and Industrial Goods and Services

| | 1975 | 1974 |
|---|---|---|
| | (in millions of dollars) | |
| Equity in income of corporate joint ventures: | | |
| Skol-Caracu (beverages) | $ .5 | $ .3 |
| Swift-Armour (meat packing) | (5.5) | 2.2 |
| FNV-Fábrica Nacional de Vagões (railway equipment and auto parts) | 4.4 | |
| Embrasca (forestry) | ( .5) | ( .2) |
| Delmar (sea food) | .1 | ( .3) |
| | (1.0) | 2.0 |
| Subsidiaries' operations: | | |
| Metal Forty (sardine canner) | (1.7) | ( .8) |
| Caravelas (pineapple development project) | (1.1) | |
| | (2.8) | ( .8) |
| Administration | (1.1) | |
| Total for continuing operations | (4.9) | 1.2 |
| Fábricas Peixe: | | |
| Loss on operations now discontinued | (4.7) | ( .3) |
| Loss on sale | (7.2) | |
| | (11.9) | ( .3) |
| | $(16.8) | $ .9 |

### Skol-Caracu S.A

Brascan, in joint venture with John Labatt Limited and a Portuguese group, controls 68% of Skol-Caracu, the third largest brewing operation in Brazil.

By the end of 1975 market share had risen to 13.3% as against 8.7% at the start of the joint venture in 1972. During the year Skol increased its sales volume by 12%.

The company operates six breweries with a total annual capacity of 2,000,000 hectolitres. Skol-Caracu is engaged in a $30 million expansion program, the largest element of which is the construction of a 1,000,000 hectolitre brewery in São Paulo. This is expected to be completed by the end of 1977.

During the year additional capacity was added at the Belo Horizonte and Rio breweries and a canning line was installed in Belo Horizonte. Construction of a new head office building in Rio de Janeiro is nearing completion. A major marketing effort has been mounted over the past few years to increase Skol-Caracu's share of the Brazilian market and to develop new markets in anticipation of the expanded capacity.

Brascan's income from Skol-Caracu increased from $0.3 million in 1974 to $0.5 million in 1975. Skol-Caracu is establishing its position in the Brazilian beer market and economies of scale should become increasingly evident.

### Swift-Armour S.A. Indústria e Comérico

Brascan, in joint venture with a leading Brazilian group, CAEMI, controls 92% of Swift-Armour S.A., Brazil's largest meat packing and exporting operation. The operation involves four meat packing plants, extensive ranches and grain operations.

Sales for the year ended December 31, 1975 amounted to $202.8 million, a 3.6% decrease from the same period in 1974. Exports accounted for approximately 38% of total sales.

The decline in 1975 from sales levels of the previous year reflected international conditions which resulted in lower prices and slower sales for main export products. However, the ranching operation generated satisfactory profits as a result of government maintained cattle prices.

Grain operations, which made a significant contribution to 1974 profits, suffered from the sharp decline in world commodity prices. These unprofitable activities have been curtailed. Brascan's share of Swift-Armour's loss in 1975 was $5.5 million, almost all of which was due to grain trading.

### Fábrica Nacional de Vagões S.A. (FNV)

Since 1966, Brascan has had an interest in FNV and currently owns 31.5% of the capital stock. The company is a well established metal fabricator, producing principally railroad equipment, heavy stampings for trucks and buses, and steel castings.

As a consequence of the Government's four-year railroad re-equipment program, FNV had a very successful year with record sales of $73.2 million.

At the end of 1975 FNV formed a joint venture with Fruehauf Corp., a U.S. truck-trailer manufacturer, to take over Fruehauf's new trailer production plant in São Paulo. FNV holds a 63% interest in the joint venture. Fruehauf will hold the minority interest and make its technology available to the new Brazilian joint venture company.

### Embrasca Empreendimentos Florestais e Agrícolas Ltda.

In 1974 Brascan entered into a joint venture with MacMillan Bloedel Limited of Vancouver, British Columbia, to establish a forest industry complex in southern Brazil. The new company, Embrasca, acquired a small reforestation firm, Comfloresta, to serve as a base for the development of major pine and eucalyptus plantations.

By the end of 1975, 140,000 acres of land had been acquired and clearing and reforestation was underway. It is planned that by 1982 the forest will amount to approximately 250,000 acres, which will be of sufficient size to maintain a pulp mill complex.

A major factor in the future potential of this operation is the fact that pine trees for pulp can be brought to economic maturity in Brazil in twelve to fourteen years and eucalyptus trees in five to seven years.

### Delmar-Produtos do Mar S.A.

Since 1974 Brascan has participated in a joint venture with the Brazilian founder of Delmar, a lobster fishery operation at Fortaleza in the northeast of Brazil. The operation includes a fishing fleet as well as freezing and packing plants in two locations. Delmar produces frozen lobster tails and red snapper fillets for export. The company also distributes frozen fish domestically.

### Metal Forty S.A.

Metal Forty is engaged in the sardine canning industry under the trade name of Gomes da Costa. 1975 was a difficult year for the company, characterized by depressed retail selling prices together with irregular supply and high wholesale fish prices.

### Caravelas Frutas Tropicais S.A

Both nursery development and experimental work are well advanced on the company's pineapple plantation in the State of Bahía. The plantation is encountering difficulties with plant disease, but control measures are now being developed with the assistance of international and Brazilian experts. Further large scale planting has been delayed pending the solution of this problem.

### Indústrias Alimentícias Carlos de Britto S.A.— Fábricas Peixe

In view of the continued losses sustained by Fábricas Peixe and the difficulties experienced in its operations this investment was sold to a Brazilian food processing group in December 1975.

The 1975 loss on its operations and subsequent sale amounted to $11.9 million.

## NATURAL RESOURCES

Through its wholly-owned subsidiary, Promisa-Mineração e Prospecções Minerais S.A., Brascan has been conducting a mineral exploration program in Brazil for several years.

In 1974 a 60% interest was acquired in Jacundá, a producing tin mine operating in Rondônia. During 1975, this mine produced 444 metric tons of fine tin and proven reserves are expected to ensure continuing life of this property for at least another five years.

Exploration and evaluation of additional tin, diamond, gold, and copper prospects in Brazil are continuing with encouraging results.

## AGRICULTURAL RESEARCH

### Brascan Nordeste-Sociedade Civil de Desenvolvimento e Pesquisas

Since 1971 the Brascan Investment Group has sponsored a non-profit foundation based at Recife which has as its main interest the advancement of the agricultural industry in the northeast portion of the country. Brascan Nordeste supports research programs submitted to it and approved by its independent council. Its major project undertaken in co-operation with the University of Bahía is aimed at developing more productive varieties of manioc, which not only represents the basic staple food of that area, but also has industrial and export potential.

In this project Brascan Nordeste is also co-operating with the Worldwide Manioc Program sponsored by the Canadian International Development Agency with active participation from the University of Guelph, Ontario, Canada.

Other projects in co-operation with Brazilian government agencies involve research in corn and other field crop production as well as fruit culture and shrimp raising.

Contributions to date in support of the work of this foundation total the equivalent of $1.6 million.

## Summary of Accounting Policies

The accounting policies of the Company and its subsidiaries conform with accounting principles generally accepted in Canada. A summary of these policies is presented below to assist the reader in evaluating the financial statements and other data contained in this report.

### Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries. Acquisition costs of each purchased subsidiary are allocated to that subsidiary's identifiable net assets on the basis of the lower of cost to the Company and estimated fair values at the date of acquisition with any excess being carried as goodwill; such goodwill, included in sundry assets on the balance sheet, is amortized over its estimated life (not exceeding 40 years) subject to writing off additional amounts where it is estimated that the value of the unamortized balance has been permanently impaired.

### Basis of accounting for non-consolidated long-term intercorporate investments

The Company accounts for its investments in corporate joint ventures and effectively controlled non-subsidiary companies on the equity method. Under this method the investment in such companies is carried on the balance sheet at cost plus the related share of undistributed earnings. The Company's share of their annual net earnings is computed in the same manner as for consolidated subsidiaries (including amortization of any goodwill) and is reflected currently in income rather than when realized through dividends.

The Company carries its other investments at cost, less any amounts written off in recognition of a permanent decline in value.

### Translation of foreign currencies

The Company's financial statements are expressed in United States dollars. Assets, liabilities, revenues and expenses in other currencies have been translated into United States dollars substantially as follows:

(a) Current assets and current liabilities at the rates of exchange prevailing at the balance sheet date;

(b) Long-term debt at the rates prevailing when the proceeds were converted;

(c) Other assets and liabilities at rates prevailing when they were acquired or incurred;

(d) Revenues and expenses at average rates for the period except for depreciation, depletion and amortization provisions, which are at the rates used for translation of the related assets.

When the cruzeiro is devalued relative to the United States dollar, the application of the above translation procedures gives rise to exchange losses (with respect to cruzeiro current assets) and exchange gains (with respect to cruzeiro current liabilities). The net amounts of such gains and losses, together with similar adjustments with respect to other currency balances held by the Company or its subsidiaries, are included in income as foreign exchange adjustments.

### Income and withholding taxes

The Company accounts for income and withholding taxes on the tax allocation basis.

Full provision has been made (in current liabilities) for withholding taxes on inter-company interest accrued and on subsidiaries' earnings to the extent that distribution of such earnings by way of cash dividends is expected in the following year.

### Utility operations—Brazil

(a) Revenue recognition—

The regulatory system, known as "service at cost", involves setting customers' rates for electricity at a level which should produce operating revenues sufficient to cover:

(i) operating expenses of the service,

(ii) provisions for depreciation and reversion (see below),

(iii) the allowable return on the rate base, at rates from a minimum of 10% to a maximum of 12% per annum, and

(iv) adjustments for prior years' accumulated deficiency or surplus, if any.

The main components of the rate base are plant in service (at depreciated net book value in cruzeiros monetarily corrected by annual co-efficients to offset the inflationary decline of the currency) and an allowance for working capital. (See note 1(a) to the financial statements.)

Electric rates are established periodically based on forecasts of costs, sales volume and the rate base. These estimates are filed with the regulatory authority as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority. Because rates are based on estimates there may be, in any one year, some surplus or deficiency. If there is a surplus (i.e. when revenues exceed the cost of service), this amount must be taken into account in establishing rates in subsequent years and is accordingly excluded from current operating revenues and deferred to such subsequent years. If there is a shortfall in revenues, the deficiency is recoverable only from future rates and is recorded as operating revenues when received.

New regulations, effective for 1975 and subsequent, require that estimated electrical energy already delivered to the consumers in the period, but unbilled at the end of that period, be recorded for regulatory purposes as revenue. Consistent with this regulatory requirement, the Company has changed its accounting policy with respect to revenue recognition and unbilled revenue has been recorded in the accounts on a retroactive basis. (See note 1(b) to the financial statements.)

(b) Depreciation and accumulated amortization—

Depreciation has been provided at the rates prescribed by the regulatory authority (being approximately 3% of monetarily corrected cruzeiro depreciable plant on a straight-line basis).

The provision for amortization (accumulated prior to 1953) may be required to cover part of the undepreciated cost of certain utility properties upon their reversion or other transfer to conceding authorities.

(c) Reversion—

Regulations require that certain funds (known as reversion funds) generated by the rates (and computed at an annual rate, as determined by the regulatory authority, of up to 5% of gross monetarily corrected cruzeiro plant) be paid on a current basis to Eletrobrás, the federal power agency, to be used in partial settlement of the compensation upon ultimate reversion of the plant to the conceding authority and/or as a pool of funds to help finance electric utility expansion programs throughout Brazil.

In 1971 and prior years, the Company's electric subsidiary was permitted to retain and invest these reversion funds, together with the interest thereon, in additions to plant which form a part of the rate base for calculating the allowable return. These funds are shown as accumulated reversion on the consolidated balance sheet.

This accumulated reversion is not repayable, but would be deducted from the value of the utility assets upon reversion to the conceding authority. Interest at the rate of 10%, computed on accumulated reversion after annual monetary correction, is payable on a current basis to Eletrobrás.

(d) Allowance for interest on funds used in construction—

Interest is charged to construction work in progress and credited to income at the average rate for the year. Prior to 1975 this average rate was computed as a weighted average of the interest rates on loan funds and the maximum allowable rate of return (see (a) above) on internal funds employed to finance construction during the year. For 1975 the regulatory authorities required that the interest rate on internal funds used in construction be 10%. This average rate has been applied to the year-end balance of construction work in progress.

(e) Customers' contributions for line extensions—

Regulations call for the costs of certain line extensions and new connections to be borne by the consumer. Such costs are included in property, plant and equipment and the related cost recoveries are shown as customers' contributions for line extensions. These contributions are not repayable and do not bear interest, but are deducted in determining the rate base upon which the allowable return is calculated and its value upon reversion to the conceding authority.

(f) Retirements—

Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation.

### Electric utility operations—Canada

(a) Depreciation—

Depreciation has been provided on the cost of depreciable electric utility plant at a rate of 2½% on a straight-line basis.

(b) Retirements—

Profits and losses on normal disposals of property, plant and equipment are credited or charged to accumulated depreciation.

(c) Allowance for interest on funds used in construction—

Interest is charged to construction work in progress and credited to income at a rate approximating the cost of borrowed funds.

### Natural resource operations

(a) Oil and gas properties—

The Company follows the full cost method of accounting whereby all costs associated with exploration for and development of oil and gas reserves are capitalized and charged against income as set out below. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and overhead expenses related to exploration and development activities. The costs are accumulated in cost centres as follows:

(i) Canada (excluding the Arctic)

(ii) The Arctic

(iii) Foreign areas

Depletion is provided each year on costs accumulated in the Canada cost centre in the proportion that the year's production of oil and gas bears to proven reserves (the composite unit of production method). Expenditures incurred in the Arctic and in foreign areas are being deferred pending the results of exploration still in progress in each area. These costs will be depleted, by cost centre, on the basis of reserves discovered in each area, or written off to income if exploration activities prove unsuccessful.

(b) Oil and gas equipment—

Oil and gas equipment costs are depreciated on the unit of production basis.

(c) Coal and mineral properties—

Costs relating to individual coal and mineral properties, including acquisition costs, exploration and development expenditures and administrative overhead, are capitalized until such time as it is determined whether commercially exploitable reserves exist. Costs associated with unsuccessful or abandoned prospects are charged to income.

The accumulated costs capitalized on individual commercially exploitable prospects, along with related plant and equipment costs, are amortized or depreciated on a unit of production basis.

### Other operations

Depreciation—

Depreciation of equipment and other physical property and amortization of leasehold improvements are provided at various rates calculated to extinguish the related book values over their estimated useful lives.

## Statement of Consolidated Income

| FOR THE YEARS ENDED DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Electric Utility—Brazil:** | | |
| Operating revenues (note 1) | **$1,016,131** | $799,416 |
| Operating revenue deductions— | | |
| Purchased power | **494,668** | 380,069 |
| Salaries, wages and other operating expenses | **215,826** | 174,281 |
| Depreciation | **43,426** | 34,973 |
| Reversion | **66,510** | 43,525 |
| | **820,430** | 632,848 |
| Operating income | **195,701** | 166,568 |
| Income deductions— | | |
| Interest on long-term debt | **26,368** | 13,154 |
| Reversion interest | **18,778** | 17,736 |
| Allowance for interest on funds used in construction | **(15,653)** | (21,154) |
| Interest expense—net | **29,493** | 9,736 |
| Income on short-term investments | **(12,111)** | (14,452) |
| Foreign exchange adjustments | **5,316** | 2,861 |
| Gain on disposal of surplus assets | **(484)** | (8,975) |
| Equity of minority shareholders | **26,721** | 27,706 |
| Income and withholding taxes (notes 1 and 3) | **30,221** | 30,823 |
| | **79,156** | 47,699 |
| Net electric utility income—Brazil (note 1) | **116,545** | 118,869 |
| **Investment and industrial operations (per statements attached):** | | |
| Brazil | **(15,971)** | 4,363 |
| Canada and other | **(1,471)** | 68 |
| Investment and industrial operations income (loss) | **(17,442)** | 4,431 |
| **Income before general corporate expenses** | **99,103** | 123,300 |
| **General corporate expenses** | **3,990** | 4,077 |
| **Income before extraordinary items** | **95,113** | 119,223 |
| **Extraordinary items (notes 7 and 8)** | **(11,639)** | (10,000) |
| **Net income for year** | **$ 83,474** | $109,223 |
| Average number (in thousands) of ordinary shares (Class A and Class B) outstanding for year (note 13) | **27,648** | 28,215 |
| **Earnings per ordinary share:** | | |
| Income before extraordinary items | **$ 3.44** | $ 4.23 |
| Extraordinary items | **(.42)** | (.36) |
| Net income for year | **$ 3.02** | $ 3.87 |

(See accompanying summary of accounting policies and notes)

## Statement of Consolidated Investment and Industrial Operations Income—Brazil

| FOR THE YEARS ENDED DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Income (loss) by segment before unallocated expenses:** | | |
| Financial services | **$ 6,744** | $ 6,558 |
| Natural resources | **(1,208)** | (824) |
| Tourism and real estate | **1,161** | 155 |
| Consumer and industrial goods and services— | | |
| Subsidiaries: | | |
| Discontinued operations (note 12) | **(4,724)** | (364) |
| Loss on disposal (note 12) | **(7,193)** | |
| Continuing operations | **(3,899)** | (759) |
| Equity in income of corporate joint ventures | **(963)** | 2,045 |
| | **(10,082)** | 6,811 |
| Dividends and profits on sale of shares | **1,140** | 1,286 |
| Interest under telephone sale agreement | **3,398** | 3,622 |
| | **(5,544)** | 11,719 |
| **Expenses not allocated by segment:** | | |
| Income and withholding taxes | **(5,536)** | (3,164) |
| General and administrative expenses | **(4,891)** | (4,192) |
| | **$(15,971)** | $ 4,363 |
| **The gross operating revenue by segment is as follows:** | | |
| Financial services | **$ 51,115** | $45,509 |
| Natural resources | **2,948** | 2,031 |
| Tourism and real estate | **2,149** | |
| Consumer and industrial goods and services— | | |
| Discontinued operations | **22,238** | 20,139 |
| Continuing operations | **4,491** | 5,099 |
| **The following expenses have been deducted in arriving at income (loss) before unallocated expenses:** | | |
| Interest | **$ 21,634** | $16,239 |
| Depreciation, depletion and amortization | **1,666** | 1,777 |
| Amortization of goodwill | **1,162** | 373 |
| Minority interest | **1,179** | 251 |
| Foreign exchange adjustments | **19,759** | 19,383 |

(See accompanying summary of accounting policies and notes)

## [illegible] of Consolidated Investment and Industrial Operations Income—Canada and Other

| FOR THE YEARS ENDED DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Income (loss) by segment before unallocated expenses:** | | |
| Electric utility—Canada | **$ 5,560** | $ 5,286 |
| Natural resources | **1,338** | 230 |
| Financial services | **45** | |
| Discontinued trading—operations (note 12) | **(1,276)** | (661) |
| —loss on disposal (note 12) | **(1,500)** | |
| Other | **(880)** | (100) |
| | **3,287** | 4,755 |
| Dividends and profits on sale of shares | **3,624** | 3,473 |
| Other interest income | **1,936** | 2,962 |
| | **8,847** | 11,190 |
| **Expenses not allocated by segment:** | | |
| Interest on long-term debt | **(8,850)** | (9,483) |
| Income taxes | **(952)** | (1,639) |
| Minority interest (note 13) | **(516)** | |
| | **$ (1,471)** | $ 68 |

| | | |
|---|---|---|
| **The gross operating revenue by segment is as follows:** | | |
| Electric utility—Canada | **$18,918** | $18,070 |
| Natural resources | **5,337** | 3,030 |
| Financial services | **633** | |
| Discontinued trading operations | **29,492** | 14,242 |
| Other | **3,999** | 218 |
| **The following expenses have been deducted in arriving at income (loss) before unallocated expenses:** | | |
| Interest | **$ 1,113** | $ 842 |
| Depreciation, depletion and amortization | **3,378** | 3,015 |
| Minority interest | **(77)** | 12 |
| Foreign exchange adjustments | **155** | (119) |

(See accompanying summary of accounting policies and notes)

## Statement of Changes in Consolidated Financial Position

| FOR THE YEARS ENDED DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Funds provided:** | | |
| Operations, after deducting dividends paid to minority shareholders (1975–$14,915; 1974–$13,058) | **$151,552** | $147,061 |
| Long-term borrowings | **164,365** | 145,592 |
| Increase in holdings of minority shareholders | **7,599** | 9,313 |
| Decrease (increase) in utility materials and supplies | **5,631** | (20,781) |
| Current portion of sale price of telephone utilities | **4,142** | 3,906 |
| Customers' contributions for line extensions | **3,346** | 812 |
| Sale of property, plant and equipment | **2,185** | 16,010 |
| Shares issued | **446** | 1,344 |
| | **339,266** | 303,257 |
| **Funds used:** | | |
| Expenditures on property, plant and equipment | **248,481** | 283,080 |
| Reduction in long-term debt | **25,285** | 53,933 |
| Long-term receivable resulting from sale of subsidiary | **14,191** | |
| Increase in loans and long-term finance and leasing contracts | **13,927** | 21,778 |
| Acquisition of subsidiary | **13,209** | |
| Increase in non-utility investments | **11,502** | 7,921 |
| Deferred real estate expenditures | **5,366** | |
| Deferred mine development expenditures | **2,446** | 881 |
| Dividends—ordinary and preference | **27,643** | 26,896 |
| Miscellaneous changes in various assets and liabilities | **2,380** | 3,036 |
| | **364,430** | 397,525 |
| **Decrease in net current assets** | **(25,164)** | (94,268) |
| **Net current assets at beginning of year** | **31,381** | 125,649 |
| **Net current assets at end of year** | **$ 6,217** | $ 31,381 |

(See accompanying summary of accounting policies and notes)

**Brascan** AND SUBSIDIARY COMPANIES

(Incorporated under the laws of Canada)

## Consolidated Balance Sheet

| DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Assets** | | |
| **Current assets (per statement attached):** | | |
| Brazil | **$ 331,488** | $ 298,812 |
| Canada and other | **49,774** | 58,432 |
| | **381,262** | 357,244 |
| **Investments:** | | |
| Brazil— | | |
| Government—guaranteed obligations (note 6) | **52,259** | 56,401 |
| Shares and debentures at cost less amounts written off | **10,407** | 17,062 |
| Shares of and loans to corporate joint ventures on the equity method | **39,971** | 29,846 |
| | **102,637** | 103,309 |
| Canada and other— | | |
| Shares of Canadian companies at cost (quoted market value 1975—$79,347; 1974—$59,697) (notes 13 and 16) | **72,954** | 57,484 |
| Shares of Canadian companies at cost less amounts written off (no quoted market value) (note7) | **20,715** | 30,316 |
| Shares of effectively controlled company on the equity method | **7,008** | |
| Other investments at cost less amounts written off (note 8) | **7,517** | 4,437 |
| | **108,194** | 92,237 |
| **Other assets:** | | |
| Brazil— | | |
| Utility materials and supplies at average cost | **40,217** | 45,848 |
| Interest-bearing secured loans | **32,445** | 18,926 |
| Long-term finance and leasing contracts receivable | **7,627** | 7,219 |
| Other long-term receivables (note 12) | **17,637** | 1,521 |
| Deferred real estate development expenditures | **6,213** | |
| Sundry including debt discount and issue expenses | **9,924** | 9,001 |
| | **114,063** | 82,515 |
| Canada and other— | | |
| Deferred mine development expenditures and coal licences (note 9) | **15,645** | 12,767 |
| Long-term receivable | **5,982** | 5,908 |
| Sundry including debt discount and issue expenses | **6,045** | 6,893 |
| | **27,672** | 25,568 |
| **Property, plant and equipment at cost less accumulated depreciation, depletion and amortization (per statement attached):** | | |
| Brazil | **1,406,276** | 1,207,600 |
| Canada and other | **107,229** | 99,674 |
| | **1,513,505** | 1,307,274 |
| | **$2,247,333** | $1,968,147 |

(See accompanying summary of accounting policies and notes)

| DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities (per statement attached):** | | |
| Brazil | **$ 323,568** | $ 284,937 |
| Canada and other | **51,477** | 40,926 |
| | **375,045** | 325,863 |
| **Other liabilities:** | | |
| Brazil— | | |
| Long-term debt (per statement attached) | **301,692** | 178,026 |
| Accumulated reversion | **164,618** | 164,618 |
| Customers' contributions for line extensions | **42,338** | 38,992 |
| Minority interest | **153,372** | 133,643 |
| Other long-term liabilities | **41,004** | 21,958 |
| | **703,024** | 537,237 |
| Canada and other— | | |
| Long-term debt (per statement attached) | **86,790** | 93,590 |
| Bank and other indebtedness (note 16) | **9,755** | |
| Minority interest (note 13) | **29,563** | 450 |
| Deferred income taxes | **9,388** | 8,903 |
| | **135,496** | 102,943 |
| **Shareholders' equity:** | | |
| Capital (note 14)— | | |
| Authorized: | | |
| 939 6% cumulative convertible preference shares of a par value of Can. $100.00 each (1974—964 shares) | | |
| 5,000,000 second preferred shares of a par value of Can. $20.00 each | | |
| 100,000,000 ordinary (Class A and Class B) shares of no par value | | |
| Issued and outstanding: | | |
| 939 6% preference shares (1974—964) | **94** | 96 |
| 28,293,579 ordinary (Class A and Class B) shares (1974—28,254,912) | **199,694** | 199,246 |
| | **199,788** | 199,342 |
| Retained earnings | **858,593** | 802,762 |
| | **1,058,381** | 1,002,104 |
| Less 2,293,522 shares held by a subsidiary, at cost (notes 13 and 14) | **24,613** | |
| | **1,033,768** | 1,002,104 |
| | **$2,247,333** | $1,968,147 |

On behalf of the Board:

J. H. Moore
A. J. MacIntosh } Directors

(See accompanying summary of accounting policies and notes)

## Statement of Consolidated Current Assets and Liabilities

| DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Brazil (notes 2 and 4):** | | |
| Current assets– | | |
| Cash | **$ 77,688** | $ 40,765 |
| Treasury bills and other short-term investments | **10,424** | 36,129 |
| Government-guaranteed obligations due within one year (note 6) | **4,141** | 3,907 |
| Interest-bearing secured loans | **80,250** | 70,381 |
| Finance and leasing contracts receivable | **19,022** | 20,518 |
| Accounts receivable (note 1) | **138,789** | 111,840 |
| Industrial inventories at lower of average cost and market | **1,174** | 15,272 |
| | **331,488** | 298,812 |
| Current liabilities– | | |
| Bank indebtedness | **2,063** | 15,004 |
| Accounts payable and accrued charges (note 1) | **186,147** | 168,046 |
| Income and other taxes payable | **55,224** | 46,628 |
| Current portion of long-term debt | **15,170** | 9,984 |
| Bills of exchange payable | **15,674** | 12,917 |
| Interest and dividends due and accrued | **6,973** | 4,831 |
| Short-term deposits | **42,317** | 27,527 |
| | **323,568** | 284,937 |
| Net current assets (Brazil) | **7,920** | 13,875 |
| **Canada and other:** | | |
| Current assets– | | |
| Cash | **3,218** | 4,131 |
| Deposit receipts | **20,163** | 28,680 |
| Marketable investments at cost (quoted market value 1975–$594; 1974–$246) | **666** | 390 |
| Accounts receivable and other | **25,727** | 25,231 |
| | **49,774** | 58,432 |
| Current liabilities– | | |
| Bank indebtedness | **15,210** | 2,978 |
| Accounts payable and accrued charges | **18,193** | 19,161 |
| Dividends and interest due and accrued | **10,790** | 10,989 |
| Income and other taxes payable | **584** | 619 |
| Current portion of long-term debt | **6,700** | 7,179 |
| | **51,477** | 40,926 |
| Net current assets (Canada and other) | **(1,703)** | 17,506 |
| **Total net current assets** | **$ 6,217** | $ 31,381 |

(See accompanying summary of accounting policies and notes)

## Statement of Consolidated Property, Plant and Equipment

| DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Brazil:** | | |
| Utility plant (note 4)— | | |
| Plant in service | **$1,653,679** | $1,383,217 |
| Construction work in progress | **175,905** | 199,655 |
| Other physical property | **2,430** | 2,236 |
| Total, at cost | **1,832,014** | 1,585,108 |
| Less accumulated depreciation | **447,506** | 405,699 |
| | **1,384,508** | 1,179,409 |
| Unrealized balance of gas company assets (note 5) | **26,923** | 26,923 |
| | **1,411,431** | 1,206,332 |
| Less accumulated amortization | **34,389** | 34,389 |
| | **1,377,042** | 1,171,943 |
| Other— | | |
| Land and buildings | **19,661** | 22,517 |
| Machinery, equipment, furniture and leasehold improvements | **13,593** | 18,132 |
| Construction work in progress | **623** | 373 |
| Total, at cost | **33,877** | 41,022 |
| Less accumulated depreciation, depletion and amortization | **4,643** | 5,365 |
| | **29,234** | 35,657 |
| | **$1,406,276** | $1,207,600 |
| **Canada and other:** | | |
| Electric utility plant | **$ 86,493** | $ 84,368 |
| Oil and gas properties (note 10) | **43,122** | 37,480 |
| Mineral properties | **5,874** | 4,678 |
| Oil and gas equipment | **4,186** | 2,426 |
| Office furniture, equipment and leasehold improvements | **1,343** | 1,063 |
| Total, at cost | **141,018** | 130,015 |
| Less accumulated depreciation, depletion and amortization | **33,789** | 30,341 |
| | **$ 107,229** | $ 99,674 |

## Statement of Consolidated Retained Earnings

| FOR THE YEARS ENDED DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| **Balance at beginning of year** | **$802,762** | $722,999 |
| Net income for year | **83,474** | 109,223 |
| | **886,236** | 832,222 |
| Deduct dividends: | | |
| Cash— | | |
| Preference (Can. $6.00 per share) | **5** | 6 |
| Ordinary (note 14) | **27,638** | 26,890 |
| Stock— | | |
| Ordinary (U.S. $0.10 per share) | | 2,564 |
| | **27,643** | 29,460 |
| **Balance at end of year** | **$858,593** | $802,762 |

(See accompanying summary of accounting policies and notes)

## Statement of Consolidated Long-Term Debt—Brazil (note 4)

| DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| Brascan International B.V. (guaranteed by Brascan Limited)*: | | |
| 8¼% bonds due annually 1976 to 1987, in U.S. dollars | **$ 19,250** | $ 20,000 |
| Light-Serviços de Eletricidade S.A.: | | |
| U.S. dollar bank loans at rates from 1% to 2¼% over London interbank rate, due semi-annually 1976 to 1986 | **241,473** | 125,000 |
| United States of America Alliance for Progress 5½% loan, due in equal semi-annual instalments 1976 to 1984, payable in U.S. dollars or, at the lender's option, in equivalent cruzeiros | **23,223** | 25,803 |
| Export Development Corporation 7½% loan, due in equal semi-annual instalments 1977 to 1988, in Canadian dollars | **14,919** | 6,918 |
| International Bank for Reconstruction and Development 6% and 7¼% loans, due semi-annually 1976 to 1993, substantially in U.S. dollars | **4,627** | 4,555 |
| Canadian dollar 9½% bank loan, due semi-annually 1977 to 1979 | **3,108** | 1,425 |
| Supplier financing, due semi-annually to 1982, in U.S. dollars | **10,262** | 4,309 |
| | **316,862** | 188,010 |
| Less current portion included in current liabilities | **15,170** | 9,984 |
| | **$301,692** | $178,026 |

*Proceeds loaned lo Light-Serviços de Eletricidade S.A.

Maturities and sinking fund requirements during the next five years are as follows:

| | | |
|---|---|---|
| 1976—$15,170 | 1978—$72,093 | 1980—$42,876 |
| 1977— 22,111 | 1979— 63,581 | |

## Statement of Consolidated Long-Term Debt—Canada and Other

| DECEMBER 31 | 1975 | 1974 |
|---|---|---|
| *(Expressed in thousands of United States dollars)* | | |
| Canadian dollar bank loan at a rate 1¼% above the minimum commercial bank lending rate in Canada, due semi-annually 1976 to 1980 | **$ 21,521** | $ 25,620 |
| Brascan International B.V. (guaranteed by Brascan Limited): | | |
| 8.3% loan from a consortium of Japanese banks due annually 1982 to 1988, in U.S. dollars | **30,000** | 30,000 |
| 8½% bonds due annually 1979 to 1988, in Deutsche marks (equivalent to $38,122 at year-end rate) | **35,920** | 35,920 |
| Great Lakes Power Corporation Limited: | | |
| 4½% first mortgage sinking fund bonds, due in 1976, in Canadian dollars | **2,600** | 2,600 |
| Sinking fund debentures, in Canadian dollars—4¼% due 1975 | | 2,979 |
| —5¾% due 1977 | **3,449** | 3,650 |
| | **93,490** | 100,769 |
| Less current portion included in current liabilities | **6,700** | 7,179 |
| | **$ 86,790** | $ 93,590 |

Maturities and sinking fund requirements during the next five years are as follows:

| | | |
|---|---|---|
| 1976—$6,700 | 1978—$4,099 | 1980—$8,716 |
| 1977— 7,548 | 1979— 5,895 | |

(See accompanying summary of accounting policies and notes)

**1. Electric utility operations–Brazil**

(a) Rate base–

The rate structure regulations are described in the summary of accounting policies.

In December 1975 new regulations were enacted which, while maintaining the basic principles of the "service at cost" system, introduced some significant changes.

In computing the rate base the new regulations require that the allowance for working capital now be reduced by the major portion of current liabilities. This reduction in the 1975 rate base has lowered the maximum allowable return by $19,992.

In 1975 and prior, the rate base was determined by reference to the year-end balances of its components. Under the new regulations, future rate bases will be calculated primarily on average month-end balances. In 1976 the effect of this change will be to reduce the rate of growth in the rate base. However its impact on this growth in subsequent years should be minimal.

All rate adjustments approved to date under the "service at cost" system relate to the calculation by the Company's electric subsidiary of its own rate base. In 1974 the findings of a Government Commission were formally confirmed which established the physical existence and the monetarily corrected cruzeiro cost less applicable depreciation of the plant in service as at December 31, 1972. These cruzeiro values, together with subsequent monetary corrections, were approximately 0.3% below the equivalent book value. In addition, the electric subsidiary's submission of accounts for the cost of service for 1974 was approved by the regulatory authority in 1975, which approval constitutes confirmation of the value of the rate base updated to December 31, 1974. Electric income from January 1, 1965 may still be subject to adjustment through future rates to reflect changes in the rate base arising from the 1974 findings of the Commission. Any adjustment is not expected to be material.

(b) Operating revenues–

(i) As a result of the change in accounting for unbilled revenue, discussed in the summary of accounting policies, which change has been given retroactive effect, 1975 operating revenues have been increased by $18,789. In addition, accounts receivable have been increased by $48,735 and $56,267 to reflect unbilled revenue at December 31, 1974 and 1975 respectively. Accounts payable have been increased by $48,735 and $39,399 at December 31, 1974 and 1975 respectively to reflect the resulting deferred revenue at those dates.

The effect of this change was to increase the Company's 1975 net income by $13,160 ($0.48 per ordinary share). Previously reported net income for 1974 was not altered.

(ii) The regulatory authority has determined that Light earned 11.57% on its 1974 rate base. This falls within the allowable limits of 10% to 12%. Although this is less than the 12% earned and allowed in 1972 and 1973, and originally expected for 1974, there is, under this determination, no 1974 deficit to be recovered in subsequent rates.

The rate of return earned in 1975 was 12%.

(c) Corporate profits taxes–

The provision for these taxes has been made at 6%, the rate applicable to electric utilities.

**2. Exchange regulations**

Remittances from Brazil are subject to the exchange regulations of that country. Inter-company interest and related sinking fund payments from the electric subsidiary, together with payments under the telephone sale agreement, are fully remittable in dollars. Dividend payments from the electric subsidiary are 47.7% remittable in dollars with the balance being available in cruzeiros in Brazil (note 17). In addition, dividend payments from the Brazilian investment subsidiaries are partially remittable in dollars.

**3. Withholding taxes–Brazil**

Interest payments from subsidiaries in Brazil are subject to an effective Brazilian withholding tax rate of 5%, reduced from 25% as of October 23, 1974.

Dividend payments from subsidiaries in Brazil are subject to the regular Brazilian withholding tax rate of 25%. Should net dividend payments exceed 12% of the dollar amount of registered capital averaged over the preceding three years, additional taxes would be payable on a graduated scale from 40% to 60%.

**4. Long-term debt–Brazil**

Long-term debt–Brazil (with the exception of most supplier financing) is secured by debentures of Light carrying a floating charge on its assets. These assets consist principally of utility plant in service, construction work in progress, utility materials and supplies, and approximately $196,600 of current assets.

**5. Unrealized balance of gas company assets**

This represents the book value of the unrealized balance of the assets of the São Paulo gas service expropriated in 1967 and the net book value of the gas plant in Rio de Janeiro which was transferred to a local Government authority in 1969.

The compensation receivable for these assets has not yet been determined, but no loss on final settlement is expected.

**6. Government-guaranteed obligations**

This amount, together with interest at 6%, is receivable in equal quarterly instalments from January 1, 1977 to January 1, 1986 with respect to the sale of the Company's telephone utilities in 1966 to an agency of the Federal Government of Brazil. Payments under the sale agreement carry the guarantee of that Government.

The Company is obligated to reinvest 75% of the principal in other enterprises in Brazil over the term of the agreement. The amounts receivable within one year are included under current assets.

Under the terms of the Canadian dollar bank loan of $21,521 these holdings may not be sold or otherwise encumbered without the prior written consent of the lenders.

**7. Shares of Canadian companies at cost less amounts written off (no quoted market value)**

The Company, through Brascan Resources Limited, holds a 15% equity interest in Elf Oil Exploration and Production Canada Ltd. (Elf Oil) which was acquired at a cost of Can. $40,000. In 1974, the carrying value of the investment was reduced by $10,000 through an extraordinary charge against 1974 income. Agreement in principle has been reached with Elf Oil to convert this 15% interest into direct ownership interest with others in certain exploratory lands of Elf Oil in the Beaufort Sea, off-shore Northwest Territories, and in British Columbia and Alberta. An additional extraordinary charge of $9,639 was made against 1975 income to reflect a further reduction in the estimated value of this investment.

**8. Other investments at cost less amounts written off**

During 1975 the Company provided $2,000, by way of an extraordinary charge, to reduce the carrying value of these investments.

**9. Deferred mine development expenditures and coal licences**

The Company, through Brascan Resources Limited, has an interest in certain coal licences for the Sukunka property in British Columbia. Agreement has been reached in 1976 with minority participants to acquire their interests which will result in Resources holding a 12½% interest in the licences. Resources' option to purchase a further 47½% interest at a price of Can. $9,825 has been extended to June 30, 1976 payable $5,100 as of June 30, 1976 and $4,725 within three years thereafter. If this option is exercised, the property is to be developed by the Company, through its subsidiaries.

If Resources does not exercise the June 30 option, its interest in the project will remain at 12½% subject to an option to the majority participant, exercisable within six months, to acquire a 7½% interest for Can. $1,500.

All expenditures incurred in connection with the Sukunka coal project have been deferred as it is in the exploration stage. New underground exploration has been commenced to evaluate further its physical mining conditions.

The future prospects of this project are contingent upon the outcome of discussions with prospective partners and the completion of studies indicating whether it will be a viable project.

**10. Oil and gas properties**

The following is a summary of the cost of oil and gas properties by cost centre and the related accumulated depletion as at December 31, 1975:

| | Cost | Accumulated Depletion | Net |
|---|---|---|---|
| Canada (excluding the Arctic) | $41,030 | $3,698 | $37,332 |
| Arctic | 1,613 | | 1,613 |
| Foreign areas | 479 | | 479 |
| | $43,122 | $3,698 | $39,424 |

At December 31, 1975 the Company estimated its proven reserves at 254.8 billion cubic feet of gross raw gas and 2.9 million barrels of oil, and additional probable reserves at 344.0 billion cubic feet of gross raw gas and 1.9 million barrels of oil.

**11. Exploration expenditures available for income tax purposes**

Brascan Resources Limited has drilling and exploration expenditures in Canada amounting to approximately $50,000 (arising both from its own operations and from those of other parties who have renounced in its favour the tax deductibility of similar expenditures made by them) which are available to reduce such taxable income as may arise from its future operations.

**12. Losses on disposal of subsidiaries**

In December 1975 the Company sold its Brazilian food processing subsidiary, Peixe, at a loss of $7,193. Under the terms of the sale, the debt obligations of Peixe were assumed by another subsidiary. The receivable resulting from this sale of $21,801, payable in equivalent cruzeiros 1978 to 1981, is carried at its discounted value of $14,191 based on an assumed interest rate of 9% and is included in other long-term receivables—Brazil.

The Company has decided to discontinue its international trading operations outside Brazil pending a re-examination of these activities. A charge of $1,238 has been made for the expenses to be incurred in implementing this decision. In 1975, E. Bailey and Co. Limited, the United Kingdom trading subsidiary, was sold at a loss of $262.

**13. Subsidiary acquired**

(a) During 1975 the Company acquired common shares of Jonlab Investments Limited for a cash consideration of $13,209. This acquisition, when combined with the Company's previous holdings of all of Jonlab's convertible participating preference shares, represents substantially all of that subsidiary's common shares or equivalents.

The following net assets were acquired in this transaction, which was recorded on the purchase method of accounting as at September 30, 1975:

| | Number of Shares | Values Assigned |
|---|---|---|
| Brascan Limited shares (8%) | 2,293,522 | $24,613 |
| Canadian Cablesystems Limited shares (26%) | 1,027,100 | 13,277 |
| Commerce Capital Corporation Limited shares (28%) | 817,265 | 2,193 |
| Other assets—net | | 2,395 |
| Net assets acquired, at values assigned on purchase | | 42,478 |
| Deduct minority interest | | 29,269 |
| Cash purchase price | | $13,209 |

The minority interest in Jonlab consists primarily of Can. $30,000 7% preference shares, redeemable at any time at the Company's option, and at the holders' option at any time after May 1, 1977. The terms of issue of these preference shares contain a floating charge on the assets of Jonlab including the investments set out above.

(b) The cost of the Brascan Limited shares so acquired has been deducted from shareholders' equity in the accompanying consolidated balance sheet. This acquisition effectively reduced the number of shares outstanding from September 30, 1975 and thus the average thereof for the year.

**14. Share capital**

The authorized ordinary shares of the Company consist of Class A and Class B convertible ordinary shares without nominal or par value. The two classes rank equally in all respects except that dividends declared on Class B shares may be paid out of certain defined portions of retained earnings resulting in a different Canadian tax treatment when such dividends are received by shareholders. The total Class A and B shares issued and outstanding at any one time may not exceed 50,000,000 shares.

Supplementary Letters Patent were obtained during 1975 increasing the authorized capital of the Company by the creation of 20,000,000 additional Class A and 20,000,000 additional Class B shares.

During 1975 230,497 Class A convertible ordinary shares were converted into Class B convertible ordinary shares. The ordinary share capital of the Company at December 31, 1975 is summarized below:

| | Shares Authorized | Shares Issued |
|---|---|---|
| Class A convertible | 50,000,000 | 27,456,215 |
| Class B convertible | 50,000,000 | 837,364 |
| | | 28,293,579 |
| Less Class A convertible shares held by a subsidiary (non-voting) (note 13) | | 2,293,522 |
| | | 26,000,057 |

Dividends paid on Class B shares are equivalent to those paid on Class A shares after taking into account the special 15% tax currently being paid by the Company to create tax-paid undistributed surplus on hand from which Class B dividends are paid.

Dividends on ordinary shares, together with the related tax on undistributed income, consisted of the following:

| | 1975 | 1974 |
|---|---|---|
| Cash— | | |
| Class A convertible (U.S. $1.00 per share) | $27,449 | $26,405 |
| Class B convertible (U.S. $0.85 per share) | 648 | 412 |
| Related tax paid on undistributed income (U.S. 0.15 per Class B share) | 114 | 73 |
| | 28,211 | 26,890 |
| Paid to a subsidiary (note 13) (U.S. $0.25 per share) | (573) | |
| Stock, issued as Class A convertible (U.S. $0.10 per share) | | 2,564 |
| | $27,638 | $29,454 |

Under the Company's share purchase plans, 38,500 Class A ordinary shares were issued at $11.59 per share during 1975 to officers and employees, financed by interest-free loans from the Company. At December 31, 1975 the amount of loans under these plans, included in sundry assets, was $1,396 (including $735 to certain directors and officers).

**15. Comparative figures**

Certain of the 1974 accounts have been reclassified to conform with the 1975 presentation.

**16. Subsequent events**

In January 1976 the Company sold for Can. $14,400 its investment in Hudson's Bay Company. A portion of the proceeds was used to repay Can. $7,862 of long-term bank and other indebtedness.

In February 1976 a $30,000 7 year term bank loan was received by the Brazilian electric subsidiary. Two additional loans are being arranged by this subsidiary; a $100,000 8 year term loan from a consortium of banks and a Can. $10,000 loan for future export credit facilities.

In March 1976 Great Lakes Power Corporation Limited agreed to purchase common shares and securities convertible into common shares, representing a 36% controlling interest (44% on a fully diluted basis) in Western Decalta Petroleum Limited (Decalta) at an effective cost of Can. $36,322.

The completion of this transaction is conditional on the other shareholders of Decalta approving an increase in its authorized capital and the issue of such additional shares as are required to purchase all of the shares of Brascan Resources Limited (Resources), based on independent valuations of both Decalta and Resources. If all such events are completed Great Lakes Power will own not less than a 65% equity interest in Decalta, assuming full conversion of its convertible securities.

**17. Commitments and contingencies**

As part of the financing program for the electric utility in Brazil, the Company has undertaken to reinvest in it that part of its dividend which cannot presently be remitted abroad. Under certain circumstances this commitment can be reduced.

Total commitments outstanding for construction, equipment, etc. were approximately $160,000. In addition, the Company's Brazillian investment bank and other subsidiaries are contingently liable as guarantors on loans of approximately $41,000.

**18. Anti-Inflation Program**

Effective October 14, 1975 the Canadian Federal Government passed the Anti-Inflation Act and subsequently issued regulations which are presently in force until December 31, 1978. Under this legislation, the Government has established guidelines to control prices, profit margins, employee compensation and dividends. Accordingly, the ability of the Company and its Canadian subsidiaries to increase prices, profit margins and dividends may be restricted during the period in which the Act and regulations are in effect.

The Company's non-Canadian activities, which represent the bulk of its operations, are not affected by this legislation.

**19. Remuneration of directors and officers**

| | Directors | | Officers | | Number of officers who were |
|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | also directors |
| Paid by the Company | 25 | 144,493 | 17 | 1,141,982 | 6 |
| Paid by one subsidiary | | | 1 | 79,143 | 1 |
| Paid by a second subsidiary | | | 1 | 75,842 | 1 |
| Paid by a third subsidiary | | | 1 | 20,094 | 1 |

## Auditors' Report

*To the Shareholders of Brascan Limited:*

*We have examined the consolidated balance sheet and the statements of consolidated current assets and liabilities, property, plant and equipment and long-term debt of Brascan Limited and subsidiary companies as at December 31, 1975, and the statements of consolidated income, investment and industrial operations income, retained earnings and changes in consolidated financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

*In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with accounting principles generally accepted in Canada applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for unbilled revenue, explained in the summary of accounting policies, with which change we concur.*

*Toronto, Canada*
*March 22, 1976*

Clarkson, Gordon & Co.
*Chartered Accountants*

## Analysis of Consolidated Income by Currency

| FOR THE YEARS ENDED DECEMBER 31 | SOURCE | | | CURRENCY | | |
|---|---|---|---|---|---|---|
| | BRAZIL | CANADA AND OTHER | TOTAL | CRUZEIROS | DOLLARS | TOTAL |
| *(Expressed in thousands of United States dollars)* | | | | | | |
| **1975** | | | | | | |
| Income (loss): | | | | | | |
| Electric utilities | $116,545 | $ 5,560 | $122,105 | $88,470 | $33,635 | $122,105 |
| Financial services | 6,744 | 45 | 6,789 | 1,010 | 5,779 | 6,789 |
| Natural resources | (1,208) | 1,338 | 130 | (1,208) | 1,338 | 130 |
| Tourism and real estate | 1,161 | | 1,161 | 763 | 398 | 1,161 |
| Consumer and industrial goods and services | (4,862) | | (4,862) | (4,862) | | (4,862) |
| Other | | (880) | (880) | | (880) | (880) |
| Discontinued operations | (11,917) | (2,776) | (14,693) | (11,917) | (2,776) | (14,693) |
| | 106,463 | 3,287 | 109,750 | 72,256 | 37,494 | 109,750 |
| Dividends and profits on sale of shares | 1,140 | 3,624 | 4,764 | 1,140 | 3,624 | 4,764 |
| Interest under telephone sale agreement | 3,398 | | 3,398 | | 3,398 | 3,398 |
| Other interest income | | 1,936 | 1,936 | | 1,936 | 1,936 |
| | 111,001 | 8,847 | 119,848 | 73,396 | 46,452 | 119,848 |
| Expenses not allocated by segment | (10,427) | (10,318) | (20,745) | (8,995) | (11,750) | (20,745) |
| General corporate expenses | | (3,990) | (3,990) | 106 | (4,096) | (3,990) |
| Income (loss) before extraordinary items | $100,574 | $(5,461) | $ 95,113 | $64,507 | $30,606 | $ 95,113 |
| **1974** | | | | | | |
| Income (loss): | | | | | | |
| Electric utilities | $118,869 | $ 5,286 | $124,155 | $92,651 | $31,504 | $124,155 |
| Financial services | 6,558 | | 6,558 | 1,879 | 4,679 | 6,558 |
| Natural resources | (824) | 230 | (594) | (824) | 230 | (594) |
| Tourism and real estate | 155 | | 155 | (267) | 422 | 155 |
| Consumer and industrial goods and services | 1,286 | | 1,286 | 1,286 | | 1,286 |
| Other | | (100) | (100) | | (100) | (100) |
| Discontinued operations | (364) | (661) | (1,025) | (364) | (661) | (1,025) |
| | 125,680 | 4,755 | 130,435 | 94,361 | 36,074 | 130,435 |
| Dividends and profits on sale of shares | 1,286 | 3,473 | 4,759 | 1,286 | 3,473 | 4,759 |
| Interest under telephone sale agreement | 3,622 | | 3,622 | | 3,622 | 3,622 |
| Other interest income | | 2,962 | 2,962 | | 2,962 | 2,962 |
| | 130,588 | 11,190 | 141,778 | 95,647 | 46,131 | 141,778 |
| Expenses not allocated by segment | (7,356) | (11,122) | (18,478) | (6,187) | (12,291) | (18,478) |
| General corporate expenses | | (4,077) | (4,077) | (129) | (3,948) | (4,077) |
| Income (loss) before extraordinary item | $123,232 | $(4,009) | $119,223 | $89,331 | $29,892 | $119,223 |

## Analysis of Changes in Consolidated Financial Position by Currency

| FOR THE YEARS ENDED DECEMBER 31 | 1975 | | | 1974 | | |
|---|---|---|---|---|---|---|
| | DOLLARS | CRUZEIROS | TOTAL | DOLLARS | CRUZEIROS | TOTAL |
| *(Expressed in thousands of United States dollars)* | | | | | | |
| Funds provided: | | | | | | |
| Operations, after deducting dividends paid to minority shareholders | $ 35,555 | $115,997 | $151,552 | $ 35,221 | $111,840 | $147,061 |
| Long-term borrowings | 9,155 | 155,210 | 164,365 | 25,620 | 119,972 | 145,592 |
| Increase (decrease) in holdings of minority shareholders | (74) | 7,673 | 7,599 | (10) | 9,323 | 9,313 |
| Decrease (increase) in utility materials and supplies | | 5,631 | 5,631 | | (20,781) | (20,781) |
| Current portion of sale price of telephone utilities | 1,211 | 2,931 | 4,142 | 1,148 | 2,758 | 3,906 |
| Customers' contributions for line extensions | | 3,346 | 3,346 | | 812 | 812 |
| Sale of property, plant and equipment | | 2,185 | 2,185 | | 16,010 | 16,010 |
| Shares issued | 446 | | 446 | 1,344 | | 1,344 |
| Repayment of subsidiary debt to parent | 5,750 | (5,750) | | 5,000 | (5,000) | |
| | 52,043 | 287,223 | 339,266 | 68,323 | 234,934 | 303,257 |
| Funds used: | | | | | | |
| Expenditures on property plant and equipment | 11,407 | 237,074 | 248,481 | 13,196 | 269,884 | 283,080 |
| Reduction in long-term debt | 10,141 | 15,144 | 25,285 | 43,949 | 9,984 | 53,933 |
| Long-term receivable resulting from sale of subsidiary | | 14,191 | 14,191 | | | |
| Increase in loans and long-term finance and leasing contracts | | 13,927 | 13,927 | | 21,778 | 21,778 |
| Acquisition of subsidiary | 13,209 | | 13,209 | | | |
| Increase in non-utility investments | 6,758 | 4,744 | 11,502 | 8,053 | (132) | 7,921 |
| Deferred real estate expenditures | | 5,366 | 5,366 | | | |
| Deferred mine development expenditures | 2,446 | | 2,446 | 881 | | 881 |
| Investment in shares of subsidiaries | | | | 10,600 | (10,600) | |
| Dividends—ordinary and preference | 27,643 | | 27,643 | 26,896 | | 26,896 |
| Miscellaneous changes in various assets and liabilities | (352) | 2,732 | 2,380 | (437) | 3,473 | 3,036 |
| | 71,252 | 293,178 | 364,430 | 103,138 | 294,387 | 397,525 |
| Decrease in net current assets | (19,209) | (5,955) | (25,164) | (34,815) | (59,453) | (94,268) |
| Net current assets at beginning of year | 17,506 | 13,875 | 31,381 | 52,321 | 73,328 | 125,649 |
| Net current assets at end of year | $ (1,703) | $ 7,920 | $ 6,217 | $ 17,506 | $ 13,875 | $ 31,381 |

## Comparative Statement of Consolidated Income

| FOR THE YEARS ENDED DECEMBER 31 | 1975 | 1974 | 1973 |
|---|---|---|---|
| *(Expressed in thousands of United States dollars)* | | | |
| **Electric utility–Brazil** | | | |
| Operating revenues | **$1,016,131** | $799,416 | $625,409 |
| Operating revenue deductions: | | | |
| Purchased power | **494,668** | 380,069 | 259,105 |
| Salaries, wages and other operating expenses | **215,826** | 174,281 | 148,545 |
| Depreciation | **43,426** | 34,973 | 28,921 |
| Reversion | **66,510** | 43,525 | 37,962 |
| | **820,430** | 632,848 | 474,533 |
| Operating income | **195,701** | 166,568 | 150,876 |
| Income deductions | **79,156** | 47,699 | 43,905 |
| Net electric utility income–Brazil | **116,545** | 118,869 | 106,971 |
| **Investments and industrial operations** | | | |
| Brazil | **(15,971)** | 4,363 | 22,066 |
| Canada and other | **(1,471)** | 68 | 2,729 |
| | **(17,442)** | 4,431 | 24,795 |
| **General corporate expenses** | **3,990** | 4,077 | 3,221 |
| **Income before extraordinary items** | **95,113** | 119,223 | 128,545 |
| Extraordinary items | **(11,639)** | (10,000) | |
| **Net income for year** | **$ 83,474** | $109,223 | $128,545 |

## Operating Statistics of Light—Serviços de Eletricidade S.A.

| | 1975 | 1974 | 1973 |
|---|---|---|---|
| Kilowatt hours billed (millions) | | | |
| Residential | **6,372** | 5,881 | 5,433 |
| Commercial | **4,854** | 4,448 | 4,068 |
| Industrial | **14,820** | 14,205 | 12,761 |
| Public utilities and others | **3,035** | 2,842 | 2,695 |
| Total | **29,081** | 27,376 | 24,957 |
| Customers (thousands) | **3,973** | 3,862 | 3,699 |
| Employees | **29,824** | 31,555 | 27,584 |
| Capacity of generating plants (kw thousands) | **2,064** | 2,064 | 2,119 |
| Transmission lines (miles of circuit) | **3,383** | 3,220 | 3,105 |
| Distribution network lines (miles of wire) | **195,990** | 187,411 | 174,853 |
| Transformer capacity (kva thousands) | **6,627** | 6,138 | 5,514 |

| 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 |
|---|---|---|---|---|---|---|
| $518,191 | $425,039 | $369,276 | $302,802 | $257,612 | $249,531 | $218,942 |
| 202,634 | 150,476 | 129,012 | 91,341 | 61,516 | 53,768 | 47,249 |
| 121,564 | 111,113 | 88,696 | 90,289 | 79,988 | 76,418 | 63,807 |
| 26,777 | 25,409 | 23,747 | 22,212 | 20,564 | 19,271 | 31,202 |
| 32,860 | 29,192 | 27,220 | 19,635 | 17,853 | 18,128 | 15,978 |
| 383,835 | 316,190 | 268,675 | 223,477 | 179,921 | 167,585 | 158,236 |
| 134,356 | 108,849 | 100,601 | 79,325 | 77,691 | 81,946 | 60,706 |
| 47,250 | 39,859 | 42,543 | 31,237 | 32,541 | 37,721 | 28,418 |
| 87,106 | 68,990 | 58,058 | 48,088 | 45,150 | 44,225 | 32,288 |
| 7,512 | 9,774 | 3,936 | 6,733 | 5,739 | 4,578 | 5,270 |
| 5,775 | 7,312 | 6,461 | 7,043 | 5,945 | 4,260 | 3,333 |
| 13,287 | 17,086 | 10,397 | 13,776 | 11,684 | 8,838 | 8,603 |
| 2,973 | 2,295 | 1,949 | 1,804 | 1,281 | 1,492 | 1,627 |
| 97,420 | 83,781 | 66,506 | 60,060 | 55,553 | 51,571 | 39,264 |
| | | | | 3,632 | | (2,885) |
| $ 97,420 | $ 83,781 | $ 66,506 | $ 60,060 | $ 59,185 | $ 51,571 | $ 36,379 |

| 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 |
|---|---|---|---|---|---|---|
| 4,966 | 4,651 | 4,162 | 3,882 | 3,504 | 3,145 | 2,862 |
| 3,662 | 3,278 | 3,037 | 2,827 | 2,554 | 2,266 | 2,149 |
| 11,126 | 9,972 | 8,585 | 8,090 | 7,209 | 6,262 | 6,131 |
| 2,648 | 2,409 | 2,135 | 2,081 | 2,062 | 1,972 | 1,655 |
| 22,402 | 20,310 | 17,919 | 16,880 | 15,329 | 13,645 | 12,797 |
| 3,485 | 3,273 | 3,056 | 2,847 | 2,662 | 2,535 | 2,403 |
| 25,968 | 25,866 | 25,216 | 24,549 | 23,449 | 22,949 | 21,562 |
| 2,119 | 2,119 | 2,119 | 2,121 | 2,121 | 2,148 | 2,147 |
| 2,962 | 2,932 | 2,818 | 2,779 | 2,668 | 2,650 | 2,534 |
| 163,388 | 149,300 | 137,613 | 123,334 | 112,515 | 104,062 | 97,036 |
| 4,961 | 4,421 | 4,119 | 3,564 | 3,190 | 2,846 | 2,504 |

Brascan
LIMITED

BOX 48, COMMERCE COURT WEST, TORONTO, ONTARIO M5L 1B7

## Directors

J. H. A'COURT/*Toronto*
SENIOR FINANCIAL CONSULTANT
to the Company

PIERRE ANSIAUX/*Brussels*
Member of the Bar of the Supreme Court of Belgium

THIERRY BARBEY/*Geneva*
Managing Partner, Lombard, Odier & Cie

PAUL G. DESMARAIS/*Montreal*
Chairman, Power Corporation of Canada, Limited

A. W. FARMILO/*Calgary*
VICE-PRESIDENT; President, Brascan Resources Limited

*E. C. FREEMAN-ATTWOOD/*Toronto*
PRESIDENT

JOHN F. GALLAGHER/*Chicago*
Vice-President, International Operations, Sears, Roebuck and Co.

ANTONIO GALLOTTI/*Rio de Janeiro*
VICE-PRESIDENT; President, Brascan–Administração e Investimentos Ltda.

J. PETER GRACE/*New York*
President and Chief Executive Officer, W. R. Grace & Co.

LEWIS B. HARDER/*New York*
Chairman, International Mining Corporation

N. E. HARDY/*London, Ontario*
Vice-Chairman of the Board, John Labatt Limited

R. E . HARRISON/*Toronto*
President, Canadian Imperial Bank of Commerce

LOUIS A.-LAPOINTE/*Montreal*
Chairman, Miron Company Ltd.

R. F. LEWARNE/*Toronto*
VICE-PRESIDENT

A. J. LITTLE/*Toronto*
Company Director

*A. J. MacINTOSH/*Toronto*
Partner, Blake, Cassels & Graydon

*PAUL E. MANHEIM/*New York*
Limited Partner, Lehman Brothers

WILLIAM J. MANNING/*New York*
Partner, Simpson Thacher & Bartlett

*BEVERLEY MATTHEWS/*Toronto*
Partner, McCarthy & McCarthy

WILLIAM G. MEESE/*Detroit*
Chairman and Chief Executive Officer, The Detroit Edison Company

*J. H. MOORE/*London, Ontario*
CHAIRMAN OF THE BOARD

JOHN G. PHILLIMORE/*London*
Company Director

*Member of the Executive Committee

## Honorary Directors

HERMANN J. ABS/*Frankfurt (Main)*

HENRY BORDEN/*Toronto*

W. C. HARRIS/*Toronto*

## Officers

J. H. MOORE/*Chairman of the Board*

E. C. FREEMAN-ATTWOOD/*President*

ANTONIO GALLOTTI/*Vice-President and Senior Corporate Officer in Brazil*

L. D. BLACHFORD/*Vice-President*

A. W. FARMILO/*Vice-President*

L. B. LEEMING/*Vice-President*

J. B. LESSLIE/*Vice-President*

R. F. LEWARNE/*Vice-President*

W. R. MILLER/*Vice-President, Finance*

J. P. ZACHARY/*Vice-President*

R. R. SUTHERLAND/*Assistant Vice-President, Finance*

L. A. ALLEN/*Secretary*

R. H. ELDRIDGE/*Treasurer*

B. M. HOWARD/*Comptroller*

As at March 23, 1976

## GREAT LAKES POWER CORPORATION LIMITED

### Directors

J. H. MOORE/*Chairman of the Board*

L. D. BLACHFORD/*President*

W. M. HOGG/*Vice-President*

A. W. FARMILO/*Vice-President*

ROSS DUNN

E. C. FREEMAN-ATTWOOD

L. B. LEEMING

R. F. LEWARNE

B. B. LOCKWOOD

## LIGHT—SERVIÇOS DE ELETRICIDADE S.A.

### Directors

ALEXANDRE HENRIQUES LEAL/*President*

CAIO TÁCITO SÁ VIANA PEREIRA DE VASCONCELOS/*Vice-President*

ALBERTO DO AMARAL OSÓRIO/*Vice-President*

WILLIAM J. CROCKER/*Vice-President*

TULLIO ROMANO CORDEIRO DE MELLO/*Vice-President*

LUIZ TEIXEIRA ALVES DE LIMA/*Vice-President*

JOÃO DA SILVA MONTEIRO FILHO

JOSÉ RUBEM FONSECA

RUY BESSONE PINTO CORRÊA

ROBERT WILSON

MIGUEL REALE

DANIEL BARUCH ROBINSON

GILBERTO SAMPAIO DE TOLEDO

ARTHUR COHEN

## BRASCAN—ADMINISTRAÇÃO E INVESTIMENTOS LTDA.

ANTONIO GALLOTTI/*President*

J. J. MARQUES FILHO/*First Vice-President*

R. E. SPENCE/*Second Vice-President*

R. F. LEWARNE/*Executive Vice-President*

ROBERTO PAULO CEZAR DE ANDRADE/*Vice-President*

A. T. COUSINS/*Director of Finance*

PEDRO LEITÃO DA CUNHA

J. E. WILLIAMS

A. A. DE AZEVEDO SODRÉ

ALFREDO LAMY FILHO

### Transfer Agents

National Trust Company, Limited
*Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax*

Citibank N.A.
*New York*

### Registrars

Canadian Imperial Bank of Commerce
*Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax*

Bankers Trust Company
*New York*

### Annual and Special General Meeting

The annual and special general meeting of the shareholders will be held at the Royal York Hotel, Toronto, on Thursday, May 27, 1976 at 11 o'clock in the morning.

Printed in Cana